FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,087 Tuesday November 18 1986 D 8523 B

Nigeria: radical plan poses high risks, Page 18

World news

Carbide blames India for Bhopal

Union Carbide lodged a countersuit against the governments of India and the state of Madhya Pradesh over the Bhopal gas tragedy, claiming that they encouraged the existence of illegal shanties around the pesticides plant where many of the 2,000 killed in the disaster lived.

The counter-claim also alleges liability against the two governments arising from their roles in the design, staffing, location and product manufacture and says the central government insisted that Union Carbide should manufacture methyl isocyanate in India.

The two governments have already filed for damages from Union Carbide and a lengthy court battle now seems inevitable. Page 5

Chinooks grounded

The remaining three Chinooks in the British International Helicopter fleet have been grounded following the crash off Sumburgh in the Shetland Islands in which 45 people were killed. "Catastrophic fatigue failure" was found in the forward rotor gearbox. Page 13

Boycott over visas

The Austrian and Swedish foreign ministers will boycott a Council of Europe ministerial meeting this week in protest at France's new visa requirements, which apply to all visiting foreigners except nationals of the European Community, Switzerland and Liechtenstein.

SDI leak feared

US Assistant Secretary of Defence Richard Perle warned in Paris of a major risk that research from the Strategic Defence Initiative (SDI) would be leaked to the Soviet Union through European companies taking part in the project.

Snub to Pakistan

Indian Prime Minister Rajiv Gandhi publicly snubbed his visiting opposite number from Pakistan, Mohammad Khan Junejo, saying in Bangalore that Junejo's denials about Pakistan's alleged nuclear capability were unconvincing. Border tension eased, page 4

Shell stations hit

An anti-apartheid group in Copenhagen said it had damaged 21 petrol stations overnight in a blow at the Danish subsidiary of Shell oil company because of its interests in South Africa.

Police use whips

South African police used dogs and whips to break up an angry crowd of black trade unionists in Port Elizabeth during scuffles outside the strike-hit General Motors plant there. Page 4

Demjanjuk trial set

An Israeli court set January 19 for the opening of the trial of John Demjanjuk, the retired American car worker accused of killing Jews at a Nazi death camp in Poland.

Sokolov returns

Marshal Sergei Sokolov, the 75-year-old Soviet Defence Minister who was rumoured near death when he missed the Revolution Day parade, turned up in joke-cracking form for the winter session of the Supreme Soviet.

Israeli air strike

Israeli helicopters fired more than 15 rockets in a ten-minute raid aimed at a building used by Palestinian guerrillas on south Lebanon, the second strike on the area in two days.

No 'love boat'

A group of women are suing the Israeli organisers of a Mediterranean "love boat" cruise because they claim there turned out to be no eligible men aboard.

Business summary

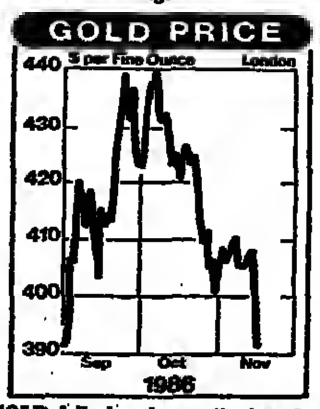
El-Sayed's Fermenta faces new setback

FERMENTA'S share price fell to its lowest level this year as Refaat El-Sayed, main shareholder in the Swedish bio-technology group, sought to rescue his planned ownership deal with Procordia. El-Sayed also took over again as managing director of Fermenta. Page 21

BRITISH AIRWAYS, UK national carrier to be privatised next year, made pre-tax profits of £141m ($197m) in the first six months of 1986 despite the decline in traffic caused by fears of terrorism in Europe. Page 29

PIRELLI, Italian tyre and cable group, acquired a 15 per cent equity stake in Wagner Indumat Systems, Italian factory equipment subsidiary of West Germany's Wagner Fodertechnik. Page 22

GOLD PRICE



GOLD fell sharply, continuing the trend set in New York on Friday when a wave of liquidations in platinum futures spilled over into the market. Gold closed $17.375 lower in London at $391.125 an ounce. Page 36

In New York the Comex December settlement was $389.3.

DOLLAR rose in London to DM 2.0130 (DM 2.0030), to SFr 1.6740 (SFr 1.6620), to FFr 6.5925 (FFr 6.5625) and to Y162.75 (Y161.45). On Bank of England figures the dollar's index rose to 111.2 from 110.7. Page 37

STERLING closed in London at $1.4285. It rose to DM 2.8750 (DM 2.8625) to SFr 2.3925 (SFr 2.3750), FFr 9.4175 (FFr 9.38); and to Y232.50 (Y230.75). The pound's exchange rate index rose 0.2 to 68.5. Page 37

LONDON: Equities fell smartly as traders assessed the implications of the insider dealing cases on both sides of the Atlantic. Blue chips recovered somewhat towards the close and the FT-SE 100 index ended 15.7 down at 1,628.6, while the FT Ordinary index was 14.7 lower at 1,278.5. Gilts edged higher on a firm pound. Page 44

WALL STREET: The Dow Jones industrial average closed down 0.70 at 1,890.52. Page 44

TOKYO: Events on Wall Street took share prices sharply lower. The Nikkei average closed 182.35 lower at 17,208.15. Page 44

FIAT announced a three-year L13,116bn ($9.24bn) plan for technologically upgrading its manufacturing plants and research and development efforts in southern Italy. Page 22

THREE MALAYSIAN publicly listed companies controlled by Datuk Wong Kee Tat, a property developer, have denied rumours they are in financial trouble following heavy selling of their shares. Page 23

AMERICAN AIRLINES, second largest US carrier, has agreed to acquire ACI Holdings, parent of AirCal, West Coast airline, in a deal that could be worth $225m. Page 21

UN's Rome-based Food and Agricultural Organisation faces a $92m shortfall because of arrears in payments by nations. Page 3

CHICAGO Board of Trade, world's largest futures exchange, has applied to extend dealing on futures options contracts up to 24 hours a day. Page 24

ANZ Banking Corporation reported profits up 5 per cent in 1986 at A$315.4m ($210.2m). Page 23

Renault chief shot dead in Paris

BY DAVID HOUSEGO IN PARIS

MR GEORGES BESSE, the head of Renault and one of the best known industrialists in France, was shot dead in Paris last night.

He was killed while returning home as a man and a woman on a motorcycle fired several shots at him. Neighbours said they heard explosions but thought it was fireworks.

The killing of Mr Besse marks a revival of terrorism in Paris after a pause of some weeks. It was unclear last night whether his murder was due to the left-wing group Action Directe which has been responsible for the killing of other personalities in France or whether it was the responsibility of Middle East terrorist movements.

The shooting of one of France's most prominent industrialists at a time when the Government felt it was beginning to get a grip over terrorism is bound to damage its credibility.

His death comes at a time when Renault was beginning to show the first results of the restructuring initiated by Mr Besse. He took over the company two years ago, at a time when losses had reached about FFr 10bn ($1.5bn) a year.

The success of Renault's recent models had pushed up its market share in France. Losses have been reduced, but still totalled FFr 10.9bn last year. This year they are expected to be about FFr 5bn.

Mr Besse had a down to earth approach to industrial management. He liked to tour the factories, putting direct questions and making direct comments. He drove his own super R5 – the latest popular model brought out by Renault.

One of his last acts before his death was to confirm that Renault would be selling its headquarters at Billancourt, on the outskirts of Paris, as well as property assets it had in that region to stem losses.

He was at the same time engaged in negotiations with the Government in a write off of existing debt that would enable Renault to restructure its balance sheet. In this he met some opposition from Peugeot, the rival French private sector car group, which feared that state assistance to Renault would enable it to undercut Peugeot's prices.

Renault's problems with American Motors, its American subsidiary and with Renault Vehicules Industriels, its loss making truck unit, were still outstanding.

Earlier this month, it emerged that Renault was about to transfer its 42 per cent stake in Mack Trucks, the US heavy duty truck manufacturer, to RVI as part of a FFr 3bn refinancing operation.

Last month a leading US management consultancy group was asked to conduct a detailed study of the state-owned car manufacturer, whose debts now total FFr 60bn.

The killing is bound to raise fresh doubts about the efficacy of Government policy and Mr Chirac's ability to hold terrorism in check.

Mr Jacques Chirac, the French Prime Minister, has given the impression in recent statements and off the record remarks that if concessions had been made, they would at least give France security from terrorist action.

The extremist left-wing group Action Directe – which has links with the West German Red Army faction – has mainly concentrated on the bombing of buildings or public monuments. Last year, however, it was believed to be responsible for the killing of Mr Rene Audran, the former Chief of Arms purchases within the Ministry of Defence.

Capital movements eased by EEC finance ministers

BY QUENTIN PEEL IN BRUSSELS

COMMON MARKET finance ministers yesterday agreed a liberalisation package obliging members to remove exchange controls on long-term credits and on buying and selling unlisted securities, unit trusts and other mutual funds.

The changes, which will come into effect in at least seven of the 12 member states from next February, were approved in record time barely five months after they were first proposed by the European Commission. They represent only the second step since 1960 towards the ultimate goal of complete freedom of capital movements within the Community.

The moves will oblige EEC members to lift any exchange controls on long-term trade credits, buying and selling unlisted securities, unit trusts and other mutual funds, and trading in securities in the course of being admitted to stock exchanges in the Community.

Spain and Portugal, the two newest member states, will be allowed until 1990 and 1992, respectively, to introduce the new rules. Italy, Ireland and Greece, the three other member states still maintaining a range of exchange controls, must decide whether to apply to extend their current exemptions to include the latest transactions.

The package of measures was presented yesterday by Mr Jacques Delors, the president of the European Commission, as a key move towards the complete removal of controls on all capital movements within the Community by 1992 – the date also set for completion of the Common Market.

He promised a proposal for the next phase of liberalisation, to include all transactions on EEC monetary markets, by spring next year.

This next phase of liberalisation proposed by the European Commission would seek to free all monetary and financial flows in the Community, and not only those related more or less directly to commercial transactions.

It would allow individuals to have bank accounts in any EEC currency, to save or borrow, or have a mortgage, across national frontiers. There would be no restrictions on the use of credit cards or Eurocheques in different member states.

Current EEC regulations require the free movement of capital for transactions such as direct investment, dealings in quoted securities, trade credits and personal capital movements, except in those countries which enjoy exemption.

Mr Delors also promised to produce a study, when he makes his proposals, of their effect on the economic development of the poorer member states and how all 12 countries could benefit from the process.

The major outstanding question over the latest move is whether Italy will implement it, because both the UK and West Germany have already abolished exchange controls for the relevant transactions, and France has abolished most of them.

Mr Giovanni Goria, the Italian Finance Minister, specifically warned of the danger of capital flows which might destabilise the European Monetary System, and called for the creation if necessary of new financial instruments in the Community to deal with balance of payments problems.

Yesterday's decision means that the specific transactions listed move from the list of measures which member states are only expected to liberalise "conditionally" to the list which is subject to compulsory liberalisation.

In addition, the move will open the way for stricter control over Belgium's system of a dual exchange rate. In future, the differing "commercial" and "financial" rates for the Belgian franc are required to be maintained within a narrow band by the central bank.

● The ministers also approved a common system for allowing traders from outside the EEC to recover value added tax paid on goods or services purchased in a member state.

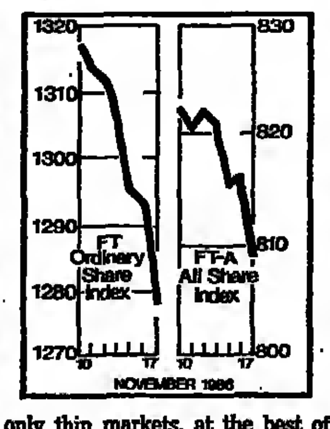
US subpoenas leading figures on Wall Street

BY OUR FOREIGN AND FINANCIAL STAFF

THE Securities and Exchange Commission (SEC) in New York yesterday issued subpoenas against Drexel Burnham Lambert, a leading securities house, and several leading Wall Street figures.

The SEC, the US securities industry regulatory agency, is seeking information about trading in a dozen stocks following last week's Boesky insider trading revelations.

Stock markets in London and the US flinched yesterday at the possible implications for international share prices of Mr Ivan Boesky's $100m settlement of charges by the SEC.



Wall Street share prices dipped generally as trading began yesterday but most recovered fully by early afternoon on relatively heavy volume. However, a wide range of stocks which had been bid up sharply by arbitrageurs in recent weeks on takeover news, rumoured and confirmed, fell sharply as the arbitrageurs turned cautious.

Of the 10 most active shares in trading up to early afternoon, nine were connected with takeovers. The price of all but one of the nine fell.

In London most of the blue chip issues, which were considered vulnerable to any forced selling prompted by the Boesky settlement, quickly showed significant losses. At the same time, many speculative issues tumbled as traders backed away because of the UK Government's move to apply the insider trading provisions of the Financial Services Act two months ahead of schedule.

Selling was not heavy, but "the buyers were backing off," commented a leading securities trader. With many speculative issues offering only thin markets, at the best of times, prices fell sharply. Hardest hit among leading stocks were Consolidated Goldfields, Blue Circle and Pilkington Bros.

By mid-session, stock market indices were showing falls of more than 20 points, despite a relatively firm gilt-edged market.

Nervousness heightened as the time for the opening of Wall Street drew near. But the New York market opened with a fall of only 12 points, which was much less than the pessimists had feared, and soon reduced its initial falls.

In stark contrast to recent days of heady rumours about takeover candidates, the street turned quiet. "I haven't heard one new story all day," the head of equity trading at one leading securities house said.

Market participants had been expecting no direct impact on shares from any trading by Mr Boesky or his company in the aftermath of the insider dealing revelations.

Continued on Page 20

Reports of N. Korean leader's death fuel speculation

By Our Foreign Staff

THE FATE of President Kim Il-sung of North Korea remained a matter for speculation yesterday as reports of his assassination or overthrow were greeted with silence from the capital, Pyongyang.

The reports, revealed in South Korea yesterday, suggested that the President had been shot and killed in a train. Defence Ministry officials said that loudspeakers north of the demilitarised zone which separates the peninsula had broadcast sombre music and eulogies of the country's "great leader" on Sunday.

Mr Lee Ki-baek, the South Korean Defence Minister, said that Seoul had received intelligence reports on Saturday that President Kim had been killed by a dissident group in the military. Although the reports could not be confirmed, they indicated that a major internal power struggle was going on inside the country, he said.

In Tokyo, the Kyodo news agency reported that Vietnamese Communist Party officials in Hanoi had received notification of President Kim's death yesterday morning. But diplomats in North Korean embassies abroad denied the reports and said that the situation in the capital was normal.

The 74-year-old Kim has ruled North Korea since 1945, when he was installed by occupying forces from the Soviet Union. Although Mr Kim has carefully groomed his son, Mr Kim Chung-il, to succeed him, his death or overthrow would touch off a period of major uncertainty on the peninsula, when more than 1m armed men, including 40,000 US troops, face each other across a tense border.

North Korea is one of the most isolated and rigidly controlled societies in the world but plays a pivotal role in an area where the interests of the Soviet Union, China, Japan and the US intersect.

Tension has been rising between the two Koreas recently following an apparent relaxation in 1984, when talks on economic and humanitarian co-operation took place. A number of families separated by the Korean war were reunited before the talks were abruptly suspended earlier this year.

Earlier this month South Korea warned the north to stop building a dam just north of the border, which it said could be used as a weapon of destruction, and threatened military action if Pyongyang did not comply. The prospect of instability

Continued on Page 20

Background, Page 4

Moscow sets economic targets in line with Gorbachev plan

BY OUR MOSCOW CORRESPONDENT

THE SOVIET UNION yesterday announced economic targets for 1987 which emphasise modernisation and increased efficiency in line with a revitalisation strategy introduced last year by Mr Mikhail Gorbachev, the Soviet leader.

Mr Nikolai Talyzin, head of the state planning Committee Gosplan, told the Supreme Soviet, or parliament, that national income was set to expand by 4.1 per cent next year. The figure is roughly equivalent to gross national product and represents a slight increase over this year's expected rise of 3.9 per cent.

Mr Talyzin said industrial output should increase by 4.4 per cent in 1987, a modest target compared with the rise of 5.1 per cent recorded in the first 10 months of this year.

He attributed the improved performance in 1986 to the introduction of measures aimed at accelerating economic growth through intensified use of technology and better management at all levels, but said the country had yet to achieve the qualitative breakthrough sought by Mr Gorbachev.

At the weekend Mr Gorbachev called on industry to match the quality of consumer goods produced in the West and warned that enterprises unable to break even because of insufficient demand for their products would, in future, have to pay the economic consequences for their failure.

Mr Boris Gostev, the Finance Minister, said state revenue next year would total 435.5bn roubles with expenditure of 435.3bn roubles. This compares with budgeted revenues of 414.4bn roubles in 1986 and expenditures of 414.2bn roubles.

Mr Gostev said defence spending would be maintained at present levels because of a perceived military threat from the US linked to President Reagan's Star Wars space-based missile programme.

He said defence expenditure would total 20.2bn roubles in 1987, or 4.6 per cent of the state budget. The same percentage was allotted this year and in 1985.

Both Mr Gostev and Mr Talyzin stressed the need to set higher standards for industrial production and in the services sector in order to improve Soviet exports and the quality of life.

Mr Talyzin said the 1987 target for oil production, the country's main foreign currency earner, was 617m tonnes, equivalent to 12.9m barrels a day, compared to 616.7m tonnes planned for 1986.

Recently issued official figures show oil output has begun to recover for the first time since November 1983, when a period of stagnation and decline set in. Production reached 511m tonnes for January-October 1986 compared to 495m tonnes in the same period last year.

The 1987 target for natural gas production, another important export earner, is 712bn cubic metres, with the bulk of the increase over this year's figures of 672bn cu m due to come from the Yamburg gas field in Western Siberia.

Mr Talyzin said the state plan for agriculture would aim to boost the national food supply, and announced a 56m roubles capital investment programme.

He did not give a target for grain production in 1987. Soviet officials recently announced that this year's harvest would reach 210m tonnes.

Mr Gostev said 166bn roubles, or more than a third of the state budget for 1987, would go to agriculture.

He called for continued efforts to tighten cost-accounting methods and said managers used to state assistance should aim for self-sufficiency and adopt a savings-oriented approach.

The winter session of the Supreme Soviet, which meets twice a year, continues for at least one more day to hear Communist Party plans for introducing state quality control in industry and to be presented with details of a new law authorising limited forms of private enterprise.

CONTENTS

ATHENS MINISTER MEETS SHULTZ TODAY

US looks for talks on Greek bases

BY ANDRIANA IERODIACONOU IN ATHENS

MR GEORGE SHULTZ, the US Secretary of State, meets the Greek Foreign Minister, Mr Karolos Papoulias, in Washington today and tomorrow and is expected to explore prospects for starting preliminary talks on the future of the four US bases in Greece.

Mr Papoulias is the first Greek Foreign Minister to visit the US since the 1967 Colonels coup in Greece. He is expected to stay in the US for two weeks altogether.

As well as two days of official talks in Washington, the minister is scheduled to carry out a series of speaking engagements and meetings designed to improve Greece's image, which has deteriorated since the coming of power to Mr Andreas Papandreou's Socialist Party in 1981 on an anti-American platform.

The two sides are understood to have agreed earlier in the year to start preliminary talks on the bases issue. These are designed to explore whether Greece is prepared to extend their tenure beyond December 1988, when the present agreement on their operation expires.

The Greek Socialists promised in 1981 to close the bases. However, they negotiated an agreement on their operation which was signed in 1983, promising as they did so that this extension was the last.

The preliminary talks on the bases have reportedly not started yet. The American side has said that for budgetary reasons it would like an answer by next summer. If it is decided in principle that the bases are staying, negotiations proper will begin between Greece and the US to determine the terms of their tenure.

Mr Papandreou has so far kept his options open, although he has hinted that, should he decide to enter into negotiations for extending the bases' operation, he would prefer the US to take the initiative for launching the process.

Until recently, it was generally believed in both Athens and Washington that he would opt to keep the bases. A strong incentive is the hundreds of millions of dollars in annual US military aid which they secure for Greece. His room for manoeuvre, however, is now believed to be more limited following the defection of large numbers of radical left-wing voters from the Socialist party in last month's Greek municipal elections.

The four US bases, two in Attica and two on Crete, were set up in 1953, a year after Greece joined Nato. Their functions include support for the Sixth Fleet, monitoring Soviet activity in the Mediterranean and surveillance in the Middle East.

● Thousands of police were placed on alert in Athens yesterday for the annual protest march on the US embassy to mark the November 17, 1973, Athens Polytechnic student uprising against the junta. Last year, a 15-year-old Greek schoolboy was shot dead in clashes between youths and police in the aftermath of the march.

Spain and Cuba settle 27-year-old dispute

BY DAVID WHITE IN MADRID

SPAIN has resolved a 27-year-old conflict with Cuba by obtaining a pledge of $40m worth of compensation for Spanish-owned properties seized in the 1959 revolution.

The settlement agreed during a visit to Cuba by Mr Felipe Gonzalez, the Spanish Prime Minister, provides for payment over a maximum of 15 years, made via the Madrid authorities, to more than 3,000 Spaniards claiming indemnities from the government of President Fidel Castro. However, more claimants are expected to press for payment now.

The compensation figure is equivalent to half or less of what the Spanish authorities estimated to be justified—between $75m and $120m—and is only a fraction of the $350m originally claimed by the former owners. But it represents an advance on previous offers by the Cubans.

Moves were also made towards the release of Spanish-origin political prisoners in Cuba, including Eloy Gutierrez Menoyo, a Madrid-born revolutionary leader who was imprisoned in the 1960s on charges of armed rebellion. Mr Gonzalez indicated at the end of his visit that this case would be resolved by the end of the year.

Bundesbank money stock tops target

By Andrew Fisher in Frankfurt

WEST GERMANY'S money supply veered further off target last month, with central bank money stock growing faster than in previous months at a seasonally adjusted annual rate of 7.75 per cent, the Bundesbank said.

This year will be the first since 1978 that this measure of the country's money supply has exceeded the target and the first since Mr Karl Otto Poehl took over as president of the Bundesbank six years ago.

The 1986 target range for the central bank money stock, a unique and not easily understood money supply concept, is between 3.5 and 5.5 per cent. Both the Bundesbank and the Bonn Government have said that the faster than targetted growth of the country's money supply means that a drop in interest rates, as strongly argued for this autumn by the US, is not justified to stimulate the economy.

The Bundesbank will announce its goal for next year's central bank money stock increase sometime next month.

The 7.75 per cent growth recorded in October compares with 7.5 per cent the previous month and 7 per cent in August. The Bundesbank said that its money stock was DM 1.5bn higher last month at DM 715.5bn.

David Barchard on a … through that failed

Turkey's tourism hopes take a dive

DOWN ON Turkey's Mediterranean coast, the late summer sun is still shining but the beaches are virtually empty. As hotel operators prepare to close for the winter, the search is on for explanations of why what was expected to be a golden year for tourism turned out for many to be a flop.

One casualty of the disappointing summer has been the former Minister of Tourism and Culture, Mr Mukerrem Tascioglu, who was sent to the much less glamorous Ministry of Labour in a Government reshuffle last month.

His successor, Mr Mesut Yilmaz, will have some hard thinking to do. Turkey wants to develop its tourism industry rapidly, largely in order to boost its foreign exchange earnings, but also because many Turks believe that it is the best publicity their country could have.

Hopes that Turkish tourism was about to break through into the Mediterranean big league were fostered by a jump in tourism earnings last year to $1bn compared with $548m in 1984. For the first time for many years, tourism earnings pulled far ahead of the $324m spent by Turks travelling abroad during the same year.

The improvement looked like the logical reward for nearly a decade of infrastructural investments which included two new airports on the south coast, roads, telephones and a great deal of building.

Confident of a good summer, Turkish tourist operators set their prices high. With many hotels fully booked more than eight months in advance, Mr Tascioglu ordered that hotel prices should be set in D-marks or US dollars rather than the plummeting Turkish lira—a decision which was welcomed by hotel owners but unpopular with both tourists and ordinary Turks.

By the middle of the summer, it had become apparent that things were not turning out as expected. Earnings from tourism by June had dropped by 20 per cent.

Even in August Turkish resorts like Alanya and Fethiye were agreeably uncongested. More remote holiday spots such as Kalkan, which must be one of the most beautiful places anywhere on the Mediterranean, had a summer which local shopkeepers described as "disastrous—hardly anyone came."

But for the big hotels, like the Sheraton and Hilton in Istanbul, the Alantur at Alanya, and recently completed holiday villages such as the Club Robinson or Club Aldiana, business has been booming. Latecomers, even after the full season is over, find it hard to get a room.

The explanation seems to be that Turkey has not one but several different tourist markets. Apart from the small luxury market, it has a growing number of holiday villages for middle class Westerners, especially Germans—though the total number of Western-standard tourist beds in the country is still only around 80,000.

It also has a lively Middle Eastern tourist market, especially in Istanbul, and a more specialised market in tourists from all over the world who go on coach expeditions covering a circuit of archaeological sites from Ephesus and Troy to Cappadocia. This market is doing well.

And it also has an informal tourist market of families and students who do not stay in one place but make their own way around the country, staying either in cheap pensions or tents. In 1986, it seems that efforts to promote the more expensive forms of tourism have had a deterrent effect on the last kind of traveller.

Even last year, Turkey's total tourist numbers of around 2.5m were fewer than the number of Britons visiting Greece. This has not bothered many Turkish hotel owners, who have been able to count on lively local demand. Going on holiday has become a habit not only for the middle class in Turkey but also for the working class, who migrate in large family groups down to the southern coast. Ranks of tents, several rows deep, have sprung up along some beaches.

The Ministry of Tourism would like to see these "Turkish lira" tourists discreetly reallocated to the Black Sea coast, at present relatively ignored, but with much to offer in July and August, the months when Turks take their holidays.

The long-term creation of a favourable environment for foreign tourism may take longer. There have been some notable developments — for instance, a series of yacht marinas along the south-west coast. But prices for new facilities are often set at uncompetitive levels.

> The threat of terrorism and the decline of the US dollar are both blamed for keeping tourists away, but one industry specialist believes high prices were the major cause. "Turkey was just too expensive compared with other countries."

Foreign operators complain that Turkish Government regulations for the new projects encourage developers to cram in too many beds and may result in unattractive holiday resorts.

There are also similar obstacles such as Turkish Airlines' habit of scheduling flights to cities such as Anatalya and Izmir at the crack of dawn or late evening, despite protests from Turkish travel agents that tourists do not like driving through the night to or from resorts.

The decision of the right-wing municipality at the resort of Fethiye also annoyed local residents as well as tourists; to ban the drinking of beer and other alcoholic drinks along the seafront.

Overcoming these problems is probably only a matter of time. But what the poor showing of Turkey's tourism industry this summer does suggest is that much more attention will have to be given to keeping prices competitive with those of better-known tourist destinations in North Africa and Spain.

Jordanians go on trial for W Berlin bombing

BY LESLIE COLITT IN BERLIN

TWO JORDANIANS accused of using a bomb obtained from Syria to blow up the West Berlin offices of the German-Arab Society last March, injuring nine persons, went on trial yesterday in West Berlin.

One of the defendants, 35-year-old Mr Ahmad Hasi, is brother of Mr Nezar Hindawi who was jailed for 45 years last month in London after being found guilty of trying to smuggle a bomb in his girlfriend's baggage aboard an Israeli airliner. The court's implication of Syria in the plot led the British Government to sever diplomatic relations with Damascus.

The other defendant in Berlin, 39-year-old Mr Farouk Salameh, earlier signed a confession along with Mr Hasi that they received the explosives from the Syrian embassy in East Berlin. The embassy subsequently denied the charge. In court yesterday, however, Mr Hasi retracted his confession and proclaimed his innocence.

Speaking behind a bullet-proof glass partition, Mr Salameh told the court he met Mr Hindawi in Damascus last year and was shown a bag with the bomb which was brought to Berlin. Mr Hindawi, who told him the German-Arab Society was pro-Israel, is suspected by the Berlin justice authorities of planning the bomb attack.

Mr Salameh testified that the explosives were smuggled to West Berlin with the aid of an employee of the Syrian embassy in East Berlin. He said he was given DM 1,200 by Mr Hasi and was to receive DM 10,000 from Mr Hindawi.

FINANCIAL TIMES

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Unilever-France chief likely to head Patronat

BY PAUL BETTS IN PARIS

THE EXECUTIVE council of France's employers' confederation, or Patronat, has picked Mr Francois Perigot, the bead of Unilever-France, as its preferred candidate to lead the influential organisation for the next five years.

As the preferred candidate of the Patronat's executive council, Mr Perigot is likely to be elected as the new chairman of the confederation next month by the Patronat's general assembly.

Mr Perigot yesterday won 26 votes from the executive council compared with only nine for his rival Mr Yvon Chotard, the former deputy head of the Patronat who has been openly campaigning for the chairmanship. Indeed, Mr Chotard, who earlier fell out with the current chairman of the confederation, Mr Yvon Gattaz, is expected to continue to campaign in the hope that he can still sway the votes of the Patronat's general assembly on December 16 in his favour.

However, it is rare for a candidate who has not won the earlier approval of the Patronat's executive council to succeed in the final vote.

Mr Chotard, a publisher who has been responsible for labour relations at the Patronat since 1972, made it clear he was seeking the top Patronat position last spring after resigning as deputy chairman of the organisation. Mr Chotard and Mr Gattaz, the Patronat chairman, had long been at odds. Mr Gattaz had also just beaten Mr Chotard for the chairmanship in December 1981.

Mr Gattaz, who has often been criticised inside the Patronat, decided not to stand for a second term to devote himself to his family business, Radiall, which specialises in electronic components.

The rivalry and differences between Mr Gattaz and Mr Chotard bad unsettled the organisation. This appears to have prompted the Patronat leaders to seek a compromise figure for its next chairman who would be able to restore peace inside the organisation.

The candidacy of Mr Perigot emerged this autumn. The head of Unilever's French subsidiary is known for his affable manner and his good connections in French business, government, and administrative circles. Moreover, businessmen who have worked close to him suggest that he would not have agreed to stand as a candidate bad be not been assured that his chances of winning were strong.

His appointment, if confirmed in next month's vote of the general assembly, will also see an executive from a prominent multinational company take the leadership of the French employers' confederation in a further symbolic example of the opening np of French institutions and markets.

The French Industry Ministry recently appointed Mr Jacques Maisonrouge, the former bead of IBM Europe, as its new top civil servant.

Gibraltar talks to be held in January

By Joe Garcia in Gibraltar

MINISTERIAL talks between Britain and Spain over the future of Gibraltar, envisaged for the end of this month or early December, will not take place until January 13, according to official sources in Gibraltar.

Sir Geoffrey Howe, the UK Foreign Secretary, and Mr Francisco Fernandez Ordonez, the Spanish Foreign Minister, last met in December last year in what is an annual meeting to review progress on the Gibraltar issue.

At the time, top priority was given to reaching agreement on the joint use of the Gibraltar airfield, but such a scheme has met with opposition in Gibraltar because the Spaniards wish to fly to Gibraltar from Madrid without going through passport and customs controls.

The question of the airfield offers the only real prospect of substantial agreement between London and Madrid, as envisaged by the Brussels agreement of 1984 which sought to promote co-operation between Gibraltar and Spain on several issues.

Official Spanish sources in the Andalusian region would welcome a deal over the airport. It would help plans to convert the Spanish port of Algeciras across Gibraltar Bay into a "super port," because it would dramatically improve communications.

TIMETABLE FOR INTEGRATED SERVICES DIGITAL NETWORKS

EEC set to back telecoms system

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN industry ministers are likely today to sanction the establishment of common standards for a new telecommunications system expected to have a $200bn (£140bn) world market by 1990.

They are set to agree on a 14-month timetable for the definition of broad technical standards for integrated services digital networks (ISDN).

These will use existing copper telephone lines to transmit simultaneously voice, data and video messages, unlike the more advanced broadband communications, which will use optical fibres to perform the same tasks cheaper and better.

The European Commission believes ISDN will represent a $40bn market in the Community by the end of the decade. The anticipated accord is significant because recent moves by US technical standards authorities towards setting a common format for ISDN have prompted fears among European companies that they could lose the lead they have in this technology.

Today's meeting in Brussels is due to give the go-ahead to a Commission proposal to empower the Conference of European Postal and Telecommunications Authorities to specify by the end of this year bow many different types of equipment will be able to communicate with each other and which services will be offered.

The Commission has set a timetable for the definition of 11 services by the end of next year, so that they can be offered throughout the Community from 1988. They include improved teletext, telephones able to take messages while the subscriber is on the line and calling line identification.

ISDN'S attraction to business is that it will remove the need to have separate circuits for different pieces of communications equipment. Basic research for most of the services envisaged in the Commission's plans has already been completed.

The ISDN plan is the third example of the Commission seeking to speed np the introduction of a free internal market — a task which it is pledged to complete by 1992 — by avoiding over-detailed debates with member-states on technical standards.

It aims to produce a general framework, leaving it to national telecommunications authorities to sort out the details, an approach which the commission has also adopted in directives on pressure vessels and toy safety.

Research plans survive budget strictures

BY QUENTIN PEEL IN BRUSSELS

WEST GERMANY, Britain and France, the thre substantial net contributors to the EEC budget, yesterday failed to persuade their fellow member states to impose strict budget discipline on the ambitious plans of the European Commission for research and development over the next five years.

Finance ministers yesterday exercised their right to consider the Ecu 7.735bn (£5.5bn) research programme supposed to be agreed by the end of the year—but failed to reach the conclusion sought by the budget disciplinarians.

Mr Hans Tietmeyer, the West German State Secretary for Finance, argued that the programme meant an annual growth in research spending of some 25 per cent, against forecast growth for all non-agricultural spending in the EEC budget of only 6.6 per cent. He staid ministers should make it clear to their colleagues in the Research Council that approval for the programme to the full Ecu 7.735bn would mean cutting back in other areas of spending.

The research ministers are themselves deeply split between the three major budget contributors and the other nine member states—in spite of the fact that proportionately more of any EEC research spending is carried out in Britain, France and West Germany.

Mr Nigel Lawson, the British Chancellor of the Exchequer and chairman of yesterday's meeting, admitted that the conclusions did not match bis expectations.

The message to the research miinsters simply stated that "in view of the many competing claims on the available resources in the Community budget, the Council takes the view that Community finance can only be made available for measures which can be rigorously defended on grounds of cost effectiveness, and which are essential to achieve the Community's objectives."

The European Commission argue sthat the research spending is the minimum necessary at a Community level to enable the EEC to match similar programmes in the US and Japan, covering in particular the fields of advanced technology, including information technology and telecommunications, bio-technology, new means of transport and alternative energy sources.

EEC Finance Ministers yesterday approved in principle a Ecu 1.5bn (£1.1bn) loan programme to help small- and medium-sized businesses, overcoming the longstanding objections of the Netherlands and West Germany, reports Quentin Peel in Brussels.

The programme will raise finance from the international capital markets for lending to small businesses at more favourable rates of interest than they could obtain on their own.

Both West Germany and the Netherlands had argued that it should be carried out by the European Investment Bank, rather than allow the European Commission to raise the money itself in the form of a so-called New Community Instrument, as proposed in Brussels.

Agreement was finally reached yesterday that the first tranche of Ecu 750m would be raised by the Commission, before being entrusted to the EIB for lending. The second tranche of Ecu 750m would be both raised and lent by the EIB.

Detailed legal drafting of the agreement will have to be approved by the finance ministers' next meeting in December.

Yugoslavia forecasts fall in hard currency

By Aleksandar Lebl in Belgrade

YUGOSLAVIA'S hard currency surplus for 1986 is expected to be $462m—$120m more than last year but barely half the $820m planned. Announcing this in Belgrade yesterday Mr Nenad Krekic, the Foreign Trade Minister, said the surplus for 1987 was estimated at $760m.

However, taking into account trade on a barter basis with Communist countries, the estimates for this year show a drop from $833m last year to $633m this against a planned $880m. On this basis, next year's estimated surplus is $850m.

The hard currency external debt, however, is expected to remain at its current level despite the Government's commitment, as outlined recently by the Prime Minister, Mr Branko Mieulic, to repay $1bn this year. This is because of exchange rate fluctuations which have increased its nominal value, expressed in dollars, by the same amount.

It amounted to $18.2bn at the end of 1985, of which $17.2bn comprised long and medium term borrowings, with $987m short term.

The overall volume of Yugoslav foreign trade in the January to October period fell below the 1985 totals, with exports down by 3.4 per cent and imports by 1.6 per cent. However, exports to developed countries were up by 2.7 per cent and imports from them by 3.4 per cent.

Trade with Communist countries fell — exports by 7.7 per cent and imports by 1.4 per cent — mainly because of the drop in oil prices. This eroded the value of Soviet supplies of crude and consequently of Yugoslav sales to the Soviet Union. The fall in oil prices has led to a parallel decline in Yugoslavia's trade with developing countries.

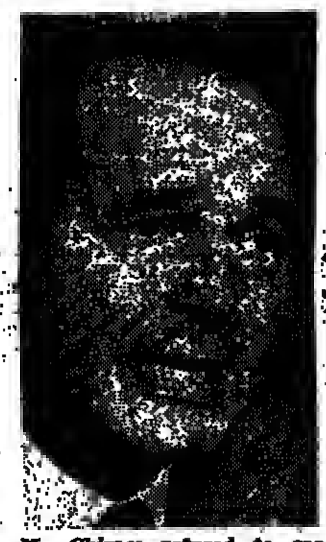
Killing sets back peace hopes in New Caledonia

BY DAVID HOUSEGO IN PARIS

FRENCH HOPES of preserving peace and order on its South Pacific territory of New Caledonia until next summer's referendum have received a setback with the killing of a French loyalist militant over the weekend.

Mr Bernard Pons, the Minister responsible for France's overseas territories, said yesterday that all the evidence suggested that he had been shot by members of the Melanesian liberation movement, the FLNKS, or those close to it.

Mr Jacques Chirac, the French Prime Minister, yesterday declined to see Mr Jean-Marie Tjibaou, the FLNKS leader, who is on a visit to Paris to discuss the terms of the referendum.



Mr Chirac: refused to see head of independence movement

His decision brought strong condemnation from the Opposition Socialist party and is likely to exacerbate the growing list of conflicts between Mr Chirac and President Francois Mitterrand that bave sprung up in recent days. Mr Mitterrand is due to see Mr Tjibaou on Wednesday.

The FLNKS says the shooting occurred after French settlers belonging to Mr Chirac's party bad beld a provocative meeting in a part of the territory where FLNKS support is strong. Mr Tjibaou says the loyalists paraded with "guns, flags and insults."

The incident comes at a time when both sides in New Caledonia have been showing signs of impatience. Extremists among the white settler population have been disappointed by Mr Chirac's reaainess for compromise and concession with the FLNKS — including his agreement to meet Mr Tjibaou in Paris.

On the other hand, the more militant among the FLNKS have been chafing at the moderation of Mr Tjibaou who has been ready to negotiate with a right-wing government in France.

FAO faces shortfall of $92m

By Alan Friedman in Milan

The UN's Rome-based Food and Agricultaral Organisation (FAO) is facing a $92m (£63.6m) shortfall because of arrears in payments by contributor-nations and other problems, according to Mr Edoard Saouma, FAO Director-General.

Mr Saouma said yesterday that budget cuts by the US Congress had made "an already disturbing situation worse" and warned that the FAO could face increasing financial difficulties during its current two-year budget period, which runs until December 1987.

He had ordered $16m savings by not filling staff vacancies and by cancelling some meetings and publications. The FAO will also have to draw on $13m from its working capital reserves.

The FAO chief blamed the cuts in contributions by the US, which normally accounts for around 25 per cent of the organisation's budget.

Late payments by other member-states, increased operating costs, and the weakness of the dollar against the Italian lira had compounded the situation.

Kim Il-Sung death reports fuel fears of instability

Mr Kim Il-Sung: unchallenged rule

IF REPORTS of the death of Kim Il-sung, the North Korean President, are confirmed, it will signal the passing of an era. Mr Kim, at 74, has been one of the longest-ruling heads of state in the world, coming to power with the Soviet occupation of North Korea at the end of the Second World War.

Mr Kim is hated in South Korea as a Communist enemy who commands one of the largest armies in Asia; yet, his longevity has lent continuity to the Government of North Korea. It is widely appreciated that however outlandish North Korea's actions may have appeared, after the disastrous experience of the Korean war, Mr Kim has always stopped short of starting another one.

His absence would signal a new period of uncertainty and possible instability. North Korea plays a pivotal role in the geopolitical power equation of north east Asia, where the interests of China, the Soviet Union, Japan and the US intersect in what has historically been a war-prone region.

Steven Butler explains why the enemy you know may be preferable in a tense part of the world

Mr Kim's grip on power remained firm through the Korean war, which North Korea launched in 1950.

Progressively eliminating his political rivals in the 1950s, he has since ruled North Korea virtually unchallenged, reinforcing his position with a personality cult that was perhaps matched only by that surrounding Mao Tse-tung in China during the Cultural Revolution.

Chairman Mao and President Kim were often thought of as spiritual brothers, with Mr Kim's idea of "juche"—roughly, "self-reliance"—as the underpinning of an ideological system claiming universal appeal.

For more than [illegible] years, President Kim has been arranging for a transfer of power to his son, Kim Chung-il, which, if completed, would be the first hereditary power transfer in a Communist state. Kim Chung-il is now said to be running the day-to-day affairs of the Government.

Although the younger Kim is painted as something of a wild-eyed radical in the South, a playboy responsible for the North's international atrocities, little is known about the man's ideas or his true role. North Korean specialists say that open signs of resistance to the transfer have been absent for several years. Even so, it is believed the younger Kim may encounter resistance from a generation of political leaders who were passed over in the son's rapid rise to power.

It is the prospect of a new, largely unknown leader, and the possibility of a destabilising power struggle, that worries the South Korean Government. The fear is that the delicate military and political balance on the peninsula could become the pawn of a political faction trying to assert control over the Pyongyang Government and the result might be war

In recent years, analysts of North Korean affairs have seen Pyongyang as reacting to long-term trends that have worked against its interests. The North Korean economy grew respectably until the early 1970s, after which it has stagnated and has been vastly outdistanced by its rival in Seoul.

In 1984, North and South Korea began an unusual series of talks aimed at economic co-operation and humanitarian measures to reunite families separated by the Korean war.

The tension between these two old enemies was heightened earlier this month when the South Korean Defence Minister warned the North to stop building a dam just over the border that he said could be used as a weapon of mass destruction against the South. The Minister's statement could be interpreted ony as a threat to take military action to prevent the dam from being built.

Mr Kim Chung-Il: day-to-day affairs

Australia backs UK bid to suppress spy book

BY CHRIS SHERWELL IN SYDNEY

THE Australian Government, responding to strong requests from the UK, yesterday backed London's bid to suppress the memoirs of a former agent of MI5, the British security and counter-espionage service.

The move was confirmed in the New South Wales Supreme Court when hearings opened on a British Government application to prevent Heinemann Australia publishing the memoirs of Mr Peter Wright.

Mr Wright, who served with MI5 for more than 20 years up to 1976, believes the service was penetrated by foreign agents and has acted unlawfully.

The Australian Government's support came in an affidavit which contended that publication of Mr Wright's memoirs would prejudice the operations of the Australian security services and be contrary to the national interest.

The move springs from suggestions in Mr Wright's memoirs that Sir Roger Hollis, a former MI5 chief, was a double agent.

The intervention seems likely to strengthen the British position, which is based principally on the argument that Mr Wright was under an obligation of contract not to disclose anything about his job without authorisation.

Mr Wright and his publishers maintain the information in Mr Wright's memoirs is no longer confidential, is known to the Soviet Union and out of date. They say it is in the public interest that publication go ahead.

The long-awaited case finally opened before Mr Justice Powell after a separate hearing in the New South Wales Appeal Court yesterday morning in which a British request for an adjournment was refused.

India moves to ease border tensions

BY JOHN ELLIOTT IN BANGALORE

TWO INITIATIVES aimed at easing regional tensions in South Asia, were launched yesterday when India both agreed the outlines of a possible solution for Sri Lanka's ethnic crisis and also paved the way with Pakistan for a fresh attempt to improve the two country's deteriorating relations.

The broad parameters for a political agreement on Sri Lanka's Tamil ethnic crisis emerged after the end of the second annual summit in Bangalore of the South Asian Association for Regional Co-operation, where Mr Rajiv Gandhi, the Indian Prime Minister, held several hours of talks with Mr Junius Jayawardene, the Sri Lankan President.

They could lead to India threatening to close down offices and camps run in its southern state of Tamil Nadu by militant and extremist Tamil leaders if the militants do not accept the new proposals.

This means that there now appears to be more prospect of a settlement of the crisis than has been likely for many months. But negotiations on the details were continuing late last night between ministers and diplomats of the two countries and a final settlement is still a long way off because both "moderate and militant Tamil leaders have to be consulted.

Mr Gandhi said yesterday that the package put forward by Sri Lanka was "good" and was, he believed, "something that the Tamils can live with in peace and security in Sri Lanka."

He said this in the context of a declaration by the summit that South Asian countries should not harbour each other's terrorists. The inference was that Indian would tell the Tamil extremists, who have lived in and around the southern city of Madras for two years, to leave India and return to Sri Lanka if the final deal agreed is, in India's view, as satisfactory as the broad parameters agreed in the past two days.

Sri Lanka's Tamil minority race wants some form of devolution and independence for its main areas in the north and east of the islands. Substantial agreement has been reached in recent weeks on most of the necessary devolutionary measures. The sticking point has been a Tamil demand that the island's northern and eastern provinces, where the Tamils are strong, should be merged.

The Bangalore talks have concentrated on finding a compromise formula on this. Proposals have emerged for hiving off part of the eastern province around the city of Batticaloa, but this is not favoured by the extremists. The Batticaloa area would be separated from the Tamil northern heartland of Jaffna by a Sinhalese area around the port city of Trincomalee.

The new initiative to try to restart friendship talks between India and Pakistan came after Mr Gandhi met M rMohammad Khan Junejo, Pakistan's Prime Minister. The two countries have agreed to hold a meeting early next month on illicit crossings of their common border, including drug trafficking, smuggling and terrorism. Their two Foreign Secretaries are also to meet next month to try to restart a series of friendship initiatives launched 11 months ago which foundered early this year. Mr Junejo said Mr Gandhi was "young and straightforward" and an "open-minded Prime Minister."

Workers clash at GM car plant in S Africa

BY ANTHONY ROBINSON IN JOHANNESBURG

POLICE arrested 16 demonstrators outside General Motors' South African subsidiary yesterday after clashes between returning workers, strikers and newly employed "scab" labour outside the Port Elizabeth plant.

Later, management issued an ultimatum to the estimated 900 workers – one third of the workforce – still on strike. Those who fail to clock in by 9am would be dismissed, the company said.

The company's decision last week to recruit fresh labour from the large pool of unemployed car workers in the area to replace 560 workers sacked for taking part in an illegal sit-in contributed to the bitter confrontation outside the plant yesterday.

Management and many strikers complained in turn of union intimidation. Witnesses said returning workers and newly employed "scab" workers were threatened with "necklacing" – death by flaming rubber tyre.

The strike broke out on October 29 over union demands for severance pay and a list of job security guarantees following GM's decision to divest from South Africa and hand over to a local management buy-out team headed by a former senior GM executive from America.

● Two former members of the Lesotho Government and their wives were shot dead over the weekend after being abducted by armed men near Roma, some 50km from the capital, Maseru.

Both men, Mr Desmond Sixishe, the former Minister of Information, and Mr Vincent Makhele, former Minister of Foreign Affairs, were members of the Government headed by Chief Leabua Jonathan which was overthrown by a military coup on January 20.

The coup followed a South African blockade of the landlocked kingdom's road and rail communications. Since then, Lesotho has been ruled by a military council headed by Gen Justin Lekhanya and a Council of Ministers headed by King Moshoeshoe II.

The deaths mof the two former ministers were confirmed by Maj-Gen James Dingizwayo, Lesotho's Commissioner of Police, who said they were shot at Bushman's Pass near Roma. He gave no other details.

Since the coup, members of the deposed government have been kept under close surveillance.

IMF team resumes Cairo talks

An IMF team was scheduled last night to resume negotiations with Egyptian officials on balance of payments support following the interruption to their discussions caused by the sudden change of government in Cairo last week, Tony Walker writes from Cairo.

An IMF source said the discussions may continue until the end of next week. The five-man IMF delegation would then report to the fund's board which would consider whether a basis existed for further discussions.

The IMF is proposing a number of reforms to the Egyptian economy, including a streamlining of the multi-tiered exchange rate, liberalisation of interest rates and reduction of energy subsidies.

Japan's prices continue to decline

JAPANESE wholesale prices fell a further 0.8 per cent last month, the 20th consecutive monthly decline, despite a 2.6 per cent rise in import prices, Andrew Baxter reports from Tokyo.

On a year-to-year basis, Japan's overall wholesale price index was down 11.3 per cent, a decline eclipsed only by the 11.8 per cent drop recorded in September.

According to Bank og Japan figures released yesterday, domestic wholesale prices dipped 1.2 per cent from September, and 6.9 per cent from a year earlier. Oil and coal product prices fell 10.8 per cent from the previous month, while electricity, gas and water prices declined 5.6 per cent.

Philippines strike fails

THE PHILIPPINES' militant labour union, KMU, failed yesterday to draw massive support from the labour sector for a general strike it had called to protest against the murder of its chairman, Mr Rolando Olalia, last week, Samuel Senoren reports from Manila.

The strike, which affected only a small portion of Manila's industries and the transportation sector, disappointed KMU leaders, who had hoped to paralyse the city.

Government authorities had appealed to other labour unions to forego the strike as they fielded hundreds of police investigators to solve Mr Olalia's murder.

Meanwhile the Japanese Embassy appealed yesterday to the kidnappers of a Japanese businessman to establish contact, AP reports from Manila.

Philippine officials reported no clues in the abduction at the weekend of Mr Noboyuki Wakaoji, 53, director of the Philippine branch of Mitsui of Japan, who was grabbed on Saturday by five armed men as he was driving.

Union Carbide countersuit shifts Bhopal blame

BY K. K. SHARMA IN NEW DELHI

UNION CARBIDE of the US yesterday filed a countersuit against the Governments of India and the State of Madhya Pradesh seeking to blame them for the deaths of at least 2,000 people in the Bhopal gas disaster.

The countersuit will add to the lengthy court battle over who is responsible and what damages ar eto be paid for one of the world's worst industrial accidents.

The countersuit against the Governmants, which filed a suit for damages from Union Carbide in a court In Bhopal two months ago, claims that they encouraged the existence of the illegal shantytowns around the pesticides plant where many of the victime lived.

The counterclaim also alleges liability against both Governmants arising from their roles in the design, staffing, location and product manufacture from the Bhopal plant. Union Carbide alleged that the Indian Government's policy required that thecompany to discontinue importing a less-costly carbaryl-based pesticide.

It further claimed that the Government insisted that it should manufacture mathyl isocynate (MIC) in India—MIC is ths deadly gas that leaked from the plant and that this was done in accordance with a Government-approved process.

Union Carbide said tha company'a document, filed in the Court of District and Sessions judge G. S. Patel, who is hearing the compensation case filed by the Government, specified "how the tragedy could only have been the result of the deliberate introduction of substantial quantities of water into a MIC storage tank. Recently, Union Carbide officials have been saying that the disaster was caused by sabotage by a former employee.

The company'e case is thet the Indian and Madhya Pradesh Governments were at all times aware of the chemical processes, storage condition and safety systems in effect in Its Bhopal plant. Both Governments were also fully aware that MIC is a toxis chemical, it claims.

The document filed by Union Carbide also tries to show that the detailed design, engineering and construction of the plant were done by major, respected Indian consultants, contractors and Its own Indian subsidiary. It says that the Indian Government limited Union Carbide'e rola to process design and that the US company provided "safe process designs."

The company'a document tries to show that during the past 20 years, Indian laws, regulations and policies wees implemented to restrict to the greatest extent possible the involvement of the corporation with its Indian subsidiary.

Sarney plans economic package amid Brazil election euphoria

BY IVO DAWNAY IN RIO DE JANEIRO

PRESIDENT Jose Sarney of Brazil yesterday called in senior cabinet members for discussions on an economic package that is likely to quietan the euphoria over the outcome of the weekend's elections when tha principal governing party won a resounding victory.

Despite persistent and often contradictory leaks, the new measures remain firmly under wraps. Analysts are convinced, however, that the Government will take further steps to rein in demand.

There is also expected to be a series of price adjustments and substantial increases on tariffs for public sector utilities and products ranging from electricity supply to steel.

For the private sector, industries which suffered an acute squeeze on profits when prices were frozen in February are expected to be allowed limited upward adjustments. Motor manufacturers and some chemical products should gain.

But a number of crucial questions are reported to be still undar discussion. These include a debate over where tax rises could be imposed, and a new policy on wages.

Some Government economists heve argued for a general thaw of the price freeze, leaving only basic essentials protected. But Mr Dilson Funaro, the Finance Minister, appears to have ruled this out as well as the prospect of across-the-board tax rises.

Industry now believes that eome relaxation of prices, despite the inflationary consequences, must take place. Official inflation figures for October were 1.9 per cent — the highest monthly total since tha economic adjustment, tha Cruzado plan, was imposed.

Real underlying inflation, including illegal surcharges on prices, is believed to be markedly higher.

The triumph of the principal government party — the Brazilian Democratic Movement (PMDB) — in the gubernatorial and congressional elections has given new authority to the administration.

With counting expected to continue all week, it is already clear that the centre-left PMDB has won a decisive victory, often at the expense of its right-wing coalition allies, the Liberal Front (PFL).

It seemed certain yesterday that the PMDB candidata for governor of Rio de Janeiro state, Mr Wellington Moreira Franco had beaten Mr Darcy Ribeiro, of Mr Leonel Brizols's Democratic Workers Party (PDT) and the fiercest left-wing opponents of the government.

The election result has also dealt a heavy blow to the other left party, the socialist Workers Party (PT), which looks unlikely to exceed 20 per cent of the poll in any of the key states. Similarly on the right, the Democratic Social Party (PDS) — tha rump of the old military grouping, Arena—has also performed poorly.

Mr Paulo Maluf, its best known candidate who fought for the governorship of Sao Paulo, appears to have come a poor third in the race.

But the scale of the PMDB victory, leaves the Government in a dilemma over its economic strategy as many of its victorious senators and deputies fought their campaigns on the integrity of the Cruzado plan and for a continuation of the price freeze.

Too radical a revision of the plan — all believe some is nacessary — could lay the administration open to charges of failing to hold to the most fundamental element behind the PMDB's landslide success.

Peru offers inducements to private investment

BY BARBARA DURR IN LIMA

THE PERUVIAN president, Mr Alan Garcia, is calling on the private sector to "bet on Peru" and reinvest its profits from this year's economic boom. As enticements, the Government is offering such sweeteners as a cheaper dollar exchange rate on imports, operating cost subsidies and short cuts through government red tape.

At the Annual Conference of Executives, the country's most important business meeting of the year, at the weekend Mr Garcia asked an audience of 600 to work with the Government to invest and create jobs so that "terrorism does not inflama unsatisfied minds."

The Government's maverick debt stance, paying only 10 per cent of export income for foreign debt service, has allowed it to prod the economy into a largely consumer-led growth rate of more than 6 per cent this year, which he predicted would continue in 1987.

His planning chief, Mr Javier Tantalean, said Peru must open a new phase of economic reactivation led by industrial investment.

The dollar shortage has already forced business and government into the black market.

Reagan alters stance on conventional forces

BY STEWART FLEMING, US EDITOR IN WASHINGTON

THE WHITE HOUSE said yesterday that the US would insist on a balance of conventional forces between Nato and Warsaw Pact nations before the West could consider moving towards the elimination of ballistic missiles.

Mr Larry Speakes, the White House spokesman, told reporters yesterday that, although the question of conventional arms had not been directly addressed at the Reykjavik summit, "it was obvious there would have to be a balance between US and Soviet conventional forces . . . if you reduced nuclear forces down to their lowest point in the 10-year period," which the US envisaged in Reykjavik.

The White House statement represents a shift of emphasis by Washington, one which appears to be aimed at meeting West European concerns about Mr Reagan's failure in Reykjavik to take account explicitly of Moscow's superiority in conventional arms when he discussed with Mr Gorbachev the elimination of ballistic missiles over a 10-year period.

The White House statement follows the visit of Mrs Margaret Thatcher to Washington over the weekend. Mrs Thatcher is understood to have emphasised the importance of eliminating conventional arms disparities as part of any nuclear weapons agreement.

Mr Speakes said that the US was not proposing any formal linkage between the nuclear arms talks and the question of conventional force balance. Neither, he said, was the US imposing any preconditions.

The shift in emphasis by the US will be welcomed in Western Europe. In terms of military strategy, Mr Reagan's failure in Reykjavik to address the question of conventional forces was seen as a serious oversight, one which was attacked in Washington, too.

Politically, too, there has been concern in Western Europe about Mr Gorbachev's success in Reykjavik in focusing attention on Washington's Strategic Defence Initiative.

By bringing Moscow's conventional force superiority to the fore, it will be easier for Mrs Thatcher to defend her position that the UK retain its nuclear deterrent.

Reuter adds from Paris: Mr Richard Perle, the US assistant Defence Secretary, warned yesterday of a major risk of research from the SDI programme leaking to the Soviet Union through European companies participating in the project.

White House says no more arms will be sent to Iran

BY OUR US EDITOR

THE WHITE HOUSE insisted that the US is not planning to send further arms shipments to Iran.

Mr Larry Speakes, the White House spokesman, told reporters that "the President's policy is no further arms shipments." He added that the US would also urge third countries not to ship arms to Iran.

Mr Speakes' comments followed continuing speculation about divisions within tha Administration on US policy towards Iran and comments on Sunday from Mr George Shultz, the Secretary of State, which were widely interpreted as confirming that Mr Shultz has been profoundly unhappy with the White House decision to send arms to Iran.

The White House, in admitting last week that the arms shipments were made, argued that they were part of an effort to open a dialogue with moderates in the Iranian Government. Administration critics have maintsined that the shipments were used to help secure the release of American hostages, held by pro-Iranian terrorist organisations in Lebanon.

The statement yesterday may be a sign that the Administration is succeeding in efforts to resolve its differences over the question of covert arms shipments to Iran and that Mr Shultz's opposition to such shipments has won the day.

Tony Walker in Cairo adds: President Reagan has sent personal messages to moderate Arab heads of state in an attempt to neutralise adverse reaction abont secret US contacts with Iran.

President Hosni Mubarak of Egypt is known to be furious at the US action. Arab leaders are particularly incensed at the use made by the US of Israel as a conduit for weapons spares sent to Iran.

Meanwhile, a special Iraqi envoy has arrived in Cairo for talks with Mr Nubarak and Egyptian officials. Mr Saadoum Hammadi, a former foreign minister, and now speaker of Iraq's parliament, flew to Cairo from Amman where he met King Hussein.

Jordan is one of Iraq's principal supporters in the long-running Gulf war. King Hussein is understood to be angered that the US was supplying weapons and spares to Iran.

The US President assured his Egyptian counterpart that the American arms embargo on Iran still applied and that his Administration is committed to ensuring the security of the Gulf and surrounding areas.

Moderate Arab lesders have refrained from public criticism of the US, but the Press has not been similarly reticent. The Kuwaiti daily al-Qabas said the shipment of US arms to Iran would prolong the Gulf war.

Mexico plans reform of company taxation

BY WILLIAM ORME IN MEXICO CITY

MEXICO'S 1987 budget, introduced to Congress this weekend, plans a 15 per cent increase in government investment, financed largely by higher corporate taxes.

A tax reform accompanying the bndget aims to boost the Government'a income by 1.3 per cent of gross domestic product, as Mexico pledged to do in its July agreemant with ths International Monetary Fund.

For corporate treasurers, the most significant change in the new tax code is its gradual elimination of complete deductions for interest payment, a provision, the Finance Ministry contends, discouraged productive investment and encouraged excessive indebtedness.

The tax code will allow deductions only for "real" interest payments—that is, interest after subtracting for inflation. Present allowances for tha total write-off of interest payments are the main reason why revenue from corporate taxation fell from 2.9 per cent of GDP in 1980 to an estimated 1.6 per cent this year, the Finance Ministry said.

One consequence of the reform should be a sharp decline in corporate "back-to-back" loan deals with foreign banks, government economists said.

The revised interest deduction rules will not be fully enforced until 1991, however. In a provision calculeted to disappoint accountants who have been crying out for a radical simplification of the Byzantine tax codes, businesses are to calculate 80 per cent of their 1987 tax bill under the old code using the new rules for only the remaining 20 per cent. In 1988, the new code will apply to 40 per cent of tax payments; equivalent annual increments will eventually mandate full compliance five years from now.

The new tax system will also gradually reduce the top corporate tax bracket to 35 per cent, down from the current 42 per cent, while the highest rates for individual taxpayers will be lowered from the present 55 per cent to 50 per cent.

Some of the budget's underlying macro-economic assumptions havs also been challenged by private-sector critics.

Inflation is projected in budget documents at 80 per cent next year, down from an expected 110 per cent in 1986. Private economists who doubt that the Government will succeed in slowing inflation in 1987 note that the 1986 budget was based on a projected 60 per cent inflation rate.

The budget is based on a projected 2 to 3 per cent economic growth rate. In its negotiations earlier this year with foreign creditors, Mexico set a goal of 3 to 4 per cent growth for 1987—and secured pledges for up to $2.5bn in additional contingency lending if the economy failed to expand at this pace. In its budget presentation this weekend, however, the Government said 3 to 4 per cent growth would not be attained until the beginning of 1988.

More than half the 1987 budget will go towards the servicing of foreign and internal government debts. Interest and amortisation payments are expected to total 56 per cent of tha budget, but this figure will rise if inflation exceeds the projected 80 per cent mark, forcing up domestic interest rates.

UN agency aims for pact on terror at sea

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE International Maritime Organisation (IMO), the shipping agency of the United Nations, is drawing up proposals for an international treaty to combat terrorism at sea.

The IMO has set up a working party to produce a draft convention based on proposals put forward by the governments of Austria, Egypt and Italy.

The draft convention would have to be approved by a special IMO conference, open to all 130 member-states, and would become international law after ratification by national legislatures.

The IMO initiative follows the hijacking of the Italian cruise ship Achille Lauro in the Mediterranean last year, when an American passenger was killed by Palestinian terrorists.

Security at ports and on board ships on international voyages has since been tightened in an attempt to prevent similar incidents.

This is regarded as insufficient by the Italian Government, however, which regards the Achille Lauro hijacking as evidence of the extension of terrorism into a field in which international law is ill-equipped to cope.

"In a briefing note to the IMO, Prof Luigi Ferrari Bravo, head of the legal service of the Italian Foreign Ministry, said "the hijacking" has demonstrated the existence of a dangerous gap in existing international legislation."

The proposals put forward by Italy, Austria and Egypt are based on the Hague and Montreal Conventions on the safety of civil aviation, together with UN Conventions on the protection of diplomats, the taking of hostages, and prevention of torture.

The central requirement would be for states to punish terrorists with "appropriate penalties," or to allow extradition. Either course would have to be followed without exception or delay.

US protectionism dominates Pacific Rim conference

BY CHRIS SHERWELL IN PERTH

INTENSIFYING US protectionism, the lack of a recycling mechanism for Japanese surpluses and China's rapid transformation yesterday dominated a conference on trade and investment in the Pacific Rim.

The three themes, pinpointed on the first day of a three-day symposium in Perth, were seen as having potentially profound implications in a region often regarded as the world's growth hub of the future.

The day's most provocative comments came from Tengku Razaleigh Hamzah, Trade and Industry Minister in Malaysia, who drew stark parallels with the 1930s slump to identify a "crash of '38" for commodity-dependent economies.

These countries, he said, faced a crippling burden in servicing their debts, a slowdown in trade, tariff and non-tariff restrictions against them, and "the complete destruction of the psychological sense of economic optimism."

Though he believed the Pacific Age had arrived, he said, it would be "nasty, probably brutish and definitely short," unless a region of equitably-shared prosperity was created.

That meant more trade, less protection, a reversal of the "severe trend of developed country investment," a curbing of arms expenditures and ideological leadership.

The Japanese, he said, now had to restructure their country and their psychology to provide the economic and moral leadership necessary to prevent a repeat of the first Great Depression.

Mr Michael Dobbs-Higginson, head of Merrill Lynch's Asia-Pacific division, said Asia's fast growing economies had become excessively dependent on US domestic demand. In the longer-term, however, they would eventually join the industrial club.

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Japan, on the other hand, would either have to arrive at a new "consensus" policy for growth or suffer a bout of de-industrialisation, as painful to the Japanese as it was to the Americans in the early 1980s.

The country also had a responsibility to seek ways to recycle its surplus to the poorer half of the world which is stalled by weak commodity prices, he said.

"Economic progress in East Asia," he added more generally, "now depends to a much greater degree than before on political progress — towards stable governments which outlast presidents and prime ministers."

Mr Alan Carroll of Consultants Business International said that geopolitical changes, exchange rate movements and shifts in competitiveness were completely altering the economic map of the region.

To understand what was happening, he declared, it was necessary to appreciate the impact of the yen's changed value, the technological advancement of Japan, South Korea and Taiwan, the position of South-east Asia, and the implications of Asia's demography in which four out of 10 people in the world came from India or China.

It was especially necessary, he added, to understand the impact of a rapprochement between the Soviet Union and China, and the "irreversible" changes in China.

These prompted Mr Michael Sandberg, head of the Hong Kong and Shanghai Bank, to lament China's continued refusal to borrow abroad on commercial terms.

He said China's reserves had dropped dramatically from $17bn (£11.8bn) in 1984 to the "psychological bench-mark" of $10bn, and warned that a failure to meet basic needs would be more dangerous than carefully planned foreign borrowings.

Cairo uses secret weapon in fight for fresh life

BY TONY WALKER IN CAIRO

CAIRENES living on the east bank of the River Nile produce 1m cu metres of wastewater a day, equivalent to one-third of the volume of the Great Pyramid of Cheops in the desert on the fringes of the city.

The present Cairo sewerage system, designed by an Englishman 70 years ago to serve 1m people, is hopelessly inadequate for today's population of about 12m. It is estimated that at least one-third of Cairo is unsewered.

Health problems resulting in part from this state of affairs are horrendous. Infant mortality, for example, is around 12 times that of Western Europe and double the average for developing countries.

Egypt, with help from Britain (which is responsible for work on the east bank of the Nile) and the US (west bank), is trying to do something about the problem. It has embarked on one of the largest civil engineering projects in the world to provide a decaying city in marshy ground on the banks of one of the world's greatest rivers with a modern sewerage system and perhaps a new lease of life.

The "Greater Cairo Wastewater project" may appear prosaic and almost invisible (most of the work is underground) compared with the awesome structures that served as tombs for Egypt's Pharaonic rules, but its benefit to present and future generations of Egyptians is likely to be considerably greater.

The sewerage project is a tripartite venture between the Egyptian Government, and US and UK contractors. American and British consultants (Ambric) in association with Egyptian engineers are overseeing the design and technical management of the first phase of the project, which is costing about $2bn.

It is a scheme of almost overwhelming magnitude in a city and an environment which poses enormous challenges for even the most skilled engineers.

The contractors, however, have a secret weapon in their primeval battle against the oozing mud — a 260-ton mechanical mole built by Markham and Co of Chesterfield in the UK under licence from the Okamura Engineering Co of Japan.

The huge device, with a massive drill mounted on the front and incorporating a slurry system to get rid of the waste, is slowly eating its way beneath the surface creating a tunnel. This will eventually run the length of Cairo on the east bank, a distance of 16 km.

Lilley International of the UK and Misr Engineering of Egypt have formed a joint venture to construct part of the main tunnel, which will carry more than 1m cubic metres of wastewater a day to treatment plants on Cairo's fringes.

The wastewater project is being funded through a mixture of grants and soft loans by the two foreign governments. The UK Overseas Development Agency (ODA) provided a £50m grant and the Export Credits Guarantee Department (ECGD) backed loans of £185m for the east bank scheme.

Lord Malcolm Selsdon, chairman of the project, in a recent letter to Mrs Margaret Thatcher, the British Prime Minister, described the benefits to Britain of involvement in the Cairo project thus:

- Under phase one, contracts totalling £777m are being let to major British contractors, often in partnership with Egyptian contractors.
- Between £250m and £300m of orders are being placed with British industry and more than 500 sub-contracts will be spread throughout the country.
- It is estimated that these orders will produce between 15,000 and 20,000 jobs in the UK in addition to 500 British employees working in Cairo.
- The project has provided the British water and sewerage industry with a much-needed chance to up-date technology and restore competitiveness in an area of major opportunity worldwide.

British consultant engineers of Taylor Binnie and Partners, who are overseeing the project as members of Ambric, are pleased with progress on the east bank scheme, whose first stage is due to be finished by the end of the decade.

The magnitude of the required works can be judged by comparison with earlier flow figures — 48,000 cubic metres per day anticipated in 1930 and 1.25m cubic metres per day in 1981.

Lord Selsdon

Kobe Steel in excavator deal with Mitsubishi

By Andrew Baxter in Tokyo

KOBE STEEL, the Japanese steel, machinery and engineering group, is to supply hydraulic excavators to the US subsidiary of Mitsubishi Corporation, the major Japanese trading house.

The deal represents a boost for sales of Kobe's excavators in the US market, which have come under pressure because of the strength of the yen and trade friction.

Starting in February, Kobe, Japan's fifth largest steel producer, will supply five types of excavator to Machinery Distribution Inc (MDI), the Mitsubishi unit, which will market them under its MDI-Yutani brand name.

Between 300 and 400 machines will be supplied in the first year, rising to 600 a year in five years. Kobe is already selling hydraulic excavators and wheel loaders in the US through its Kobelco-America subsidiary, which sold 670 hydraulic excavators and other machinery last year for total revenues of $45m.

Japan 'will be worst hit by ship debt write-offs'

BY OUR HONG KONG CORRESPONDENT

HUGE WRITE-OFFS of shipping debt are not over yet, a leading shipping financier has warned.

Addressing the fifth Sea Trade conference in Hong Kong yesterday, Mr Paul Slater of the shipping financiers First International Capital Group, described how the "fall-out from the shipping market's own version of a nuclear melt-down" was now moving East.

The worst damage will be in Japan, where Mr Slater said that up to $10bn (£6.9bn) in bad shipping debts is likely to be written off in the next 12 months.

Mr Slater is on record as saying that total shipping industry debt may reach $20bn, with most of that sum already judged to be lost.

China official warns on foreign partners' profits

BY ROBERT THOMSON IN PEKING

FOREIGN companies engaged in motor vehicle joint ventures have been making "big profits" but have not been prepared to transfer expertise to China or to produce parts locally according to Mr Chen Zutao, the general manager of the China Automotive Industry Corporation.

In a rare criticism of foreign business people carried by Xinhua, the official Chinese news agency, Mr Chen said that "some foreign businessmen are earning a double profit" by selling parts to the local assembly line and then taking a share of the earnings when the completed vehicle is sold.

China has vehicle joint ventures with Volkswagen of West Germany, Peugeot of France, and the American Motors Corporation. Foreign partners say they have been unable to increase local production of parts because of the poor quality of Chinese products, and claim that ventures have been hindered by China's shortage of foreign exchange.

Mr Chen said that the projects have been unsatisfactory because "these enterprises begin by importing assembly lines and are slow to make use of parts and accessories from local areas."

"It is against our interests when some of these businessmen ignore China's interests and requests. They are pursuing their own profits," he said. The general manager made clear that future foreign partners will have to manufacture the main components in China.

- China's imports of computers are being wasted because enterprises buying the equipment have had neither the necessary expertise nor compatible technology, the official Economic Daily has admitted.

The paper said that China imported 70,000 computers in 1984 but "many offices that bought computers found they lacked the competence and the software to run them and the technical staff to maintain them." It estimated that less than half the country's 130,000 microcomputers were in use.

China's Ministry of Foreign Economic Relations and Trade has already said that technology purchasing policies are "disordered," and the latest report shows the Government is displeased by the import flow despite tough import controls.

The ministry has been particularly annoyed by duplicated imports resulting from the lack of co-ordination among Chinese departments.

Go-ahead for Polish foreign capital venture

By Christopher Bobinski in Warsaw

POLAND'S Foreign Trade Ministry has given permission for the establishment of the country's first joint venture with foreign capital under legislation passed last April.

The new company, Lim Joint Venture, with capital worth Sch 15m (£724,680) brings together the Polish state airline Lot with a 52 per cent stake, Ilbau GMBH, an Austrian construction company, and Marriott, the US hotel chain with a 24 per cent stake each.

The joint venture will be completing the Lot air terminal in central Warsaw over the next two years at a cost of $50m (£34.7m) financed by loans provided by Austrian banks.

The new company will then run the terminal and hotel complex which will include the country's first casino for Westerners for 25 years.

- Lot has ordered 11 TU-154-M medium-range passenger aircraft for its North African and Near Eastern routes, from the Soviet Avia Export Company.

The 150-seater Soviet aircraft with tourist- and business-class facilities worth 12bn zloty (£42m) are to be delivered between 1987 and 1990.

Labour disputes defence of City self-regulation

BY IVOR OWEN

GOVERNMENT claims that the action taken by Morgan Grenfell in enforcing the resignation of Mr Geoffrey Collier as its securities chief shows that self-regulation is working well were strongly disputed by Mr Robert Sheldon, a former Labour Treasury Minister, in the House of Commons last night.

He claimed that the crudeness of the method used by Mr Collier, who resigned after admitting dealing on the basis of insider information, was unlikely to be repeated and called for an assurance that the new regulatory procedures now being introduced in the City of London would be capable of countering more sophisticated operations.

Mr Michael Howard, Minister for Corporate and Consumer Affairs, refused to comment on the "circumstances of a particular case" but insisted that the new self-regulatory procedures being put in place under the supervision of the Securities and Investments Board (SIB) greatly increased the likelihood of insider trading offences coming to light.

He contended that, as more information became available under the new system, it would become easier to identify particular patterns of dealing and movements in share prices, which could prove to be the starting-point for proceedings.

Mr Howard also gave an assurance that the Department of Trade and Industry (DTI) would not hestate to use the "sweeping and draconian" powers afforded to it by the Financial Services Act. Those suspected of offences could be obliged to answer questions on oath – questions which could be admitted in evidence.

Any refusal to answer such questions, he reminded the House, could lead to the person concerned being brought before the court for contempt.

In barbed tones, Mr Robin Cook, a Labour spokesman on trade matters congratulated the Government on bringing into operation powers in the act which only two weeks ago Mr Howard had said could not be introduced until next year.

He maintained that the discovery that the new structures in the City were being abused only a week after being set up proved that it would be intolerable if the SIB did not become fully effective for almost another 12 months.

Mr Cook said the case involving Mr Collier was exceptional only in that the dealer had been detected and dismissed.

Over the past year, he said, there had been 100 takeover bids preceded by an average rise in share prices of 86 per cent as "insiders cashed in on their knowledge."

Australian group set to acquire Gestetner

By Martin Dickson

AFP INVESTMENT Corporation, a recently formed Australian company, seems set to acquire control of Gestetner Holdings, the British office equipment and duplicator manufacturer, under a complex deal agreed last night, which would give it an immediate 15 per cent stake in the group.

Gestetner, the grand old name of the British duplicator industry, has been considered a takeover target ever since the Gestetner family relaxed its 100-year control over the group and enfranchised its ordinary shares last year, reducing the family stake to about 28 per cent.

AFP, the latest in a wave of Australian groups to bid for British companies, is an investment vehicle which shot to prominence in September, when it took an option over a stake in Elders IXL, the Australian brewing to agriculture group, held by Broken Hill Proprietary.

It has a market capitalisation of more than A$500m ($323m) and is associated with two former Elders executives, Mr Peter Scanlon and Mr Richard Weisener, as well as textiles magnates, Mr Basil Sellers and Mr Abraham Goldberg.

It is understood that under last night's deal AFP would take an immediate 15 per cent stake in Gestetner at a cost of £14m. However, through rights to ascribe for new shares, it could end up with 55 per cent of the group's enlarged equity capital, injecting a total of £140m into the business.

The Australian group intends to retain Gestetner's stock market quotation, but last night's deal apparently includes a full offer to its existing shareholders who wish to sell out. They would be offered 175p a share for both their ordinary and capital shares.

That compares with a price of 140p at which Gestetner's shares were suspended last week when it said it had received an approach about the "future management and control of the group."

AFP would acquire its 15 per cent stake at 140p a share – a price which gives the entire group a market capitalisation of £87m – and its contingent rights to further shares would be at a price of 170p a share.

Last night's deal would give it seats on the board and, in effect, management control, but its lack of knowledge of the copy industry means there are unlikely to be immediate changes in senior management.

Gestetner makes stencil and offset duplicators and also photocopiers under licence from the Japanese Mita group. It has also moved into desk-top publishing.

Radio watchdog role may be urged for Cable body

BY RAYMOND SNODDY

THE GOVERNMENT is expected to recommend next month that the Cable Authority should be given the regulatory responsibility for local commercial radio and the planned new third tier of community radio.

If national commercial radio goes ahead responsibility for that too would pass from the Independent Broadcasting Authority (IBA) to the Cable Authority.

The ideas will be set out in the Government green (discussion) paper on the future of radio in the UK which is scheduled to be published before Christmas.

Mr Douglas Hurd, the Home Secretary, has made it clear that he wants the discussion document to map out a new structure for radio to take the industry into the next century.

The apparent thinking is that the IBA should in future concentrate on the regulation of television and in making a success of its other major responsibility – direct broadcasting by satellite (DBS).

There is also a determination to seek a significant degree of deregulation for the independent local radio (ILR) system which has been facing difficult financial times.

The Government has apparently turned to the Cable Authority, the body which regulates the cable television industry, because it deals in regulating local franchises. Unlike the IBA the Cable Authority does not own the transmission systems, but instead sets minimum technical standards and has been given the task by Parliament of regulating with "a light touch."

There is also a feeling that it would be more sensible to expand the role of an authority that already exists rather than creating a new quango to regulate the commercial radio industry.

The Home Office said last night it would be premature to speculate on the contents of the Green Paper.

Europe will take US pop music channel

By Raymond Snoddy

BRITISH Telecom is joining with Mr Robert Maxwell to bring MTV, the US pop music cable channel, into the UK and the rest of Europe.

MTV has been one of the most successful advertising supported cable channels in the US, available to more than 30m homes. Mr Maxwell is setting up a new company with BT and Viacom, a US cable company which owns MTV, as shareholders.

The plan is to deliver the channel, made up largely of non-stop pop videos, by satellite to European cable networks. The aim is to launch the European version of MTV early in the new year, possibly to co-incide with the launch of Superchannel, the cable channel being put together by the ITV companies and the Virgin Group.

When Superchannel is launched on January 30, it will include about 10 hours out of 24 from Music Box, the existing European pop music channel. Apart from that 10-hour segment Music Box will no longer be available live to cable operators.

The new European MTV channel will be carried on Mr Maxwell's four channel British cable networks which will mean that at least one other channel may have to be dropped to make way for it – probably Music Box/Superchannel.

Mr Maxwell may also be considering the Europeanised version of MTV as a candidate for transmission on SES, a Luxembourg-based private-sector broadcasting satellite.

London 'natural home for trade mark offices'

By Fiona Thompson

BRITISH MEPs were yesterday urged to promote the UK's campaign to have the European Community Trade Mark Office sited in London.

At a briefing session for MEPs organised jointly by the London Chamber of Commerce and the Confederation of British industry (CBI), Mr Geoffrey Pattie, Industry and Information Technology Minister, said Britain's bid represented the best possible package.

The proposed development, at St Katherine-by-the-Tower in London's Docklands, offered an unrivalled site close to the necessary infrastructure – the trade mark and patent agents, and well served by excellent transportation links, he said.

If London is successful, the office would be the first permanent Community institution to be based in Britain.

USM survey

YESTERDAY'S report on the flow of companies graduating fom the Unlisted Securities Market (USM) to a full listing on the Stock Exchange wrongly attributed the quarterly survey on the USM to Touche Ross. In fact, the survey is by Peat, Marwick, Mitchell, and Mr Alan Comber, to whom remarks were attributed, is a partner at Peat Marwick. The survey is obtainable from the Peat, Marwick offices at 1 Puddle Dock, Blackfriars, London EC4 5PD.

UK NEWS

Unions turn down 3.7% pay offer for engineers

BY PHILIP BASSETT, LABOUR EDITOR

ENGINEERING UNION leaders yesterday rejected a 3.7 per cent national-level pay offer – though both unions and employers in the industry agreed to think again about their positions.

The offer proposed by negotiators for the Engineering Employers' Federation (EEF) would raise the national minimum rate for skilled workers from £101.50 weekly to £105.25, and for unskilled workers from £73.10 to £75.80.

The EEF told the Confederation of Shipbuilding and Engineering Unions, representing some 1.5m workers in the industry, that the level of the offer was particularly influenced by the low level of price increases, by the falling level of company-level settlements under the industry's two-tier bargaining system, and the "general lack of buoyancy" in engineering.

Mr Bill Jordan, president of the Amalgamated Engineering Union, said the offer was "inexcusable". He said it would put the industry's wage bill up by only 1 per cent. It did nothing to reward workers whose co-operation had enabled companies to get in shape to meet future growth.

In a statement to the unions, the EEF said that the economic situation generally and the outlook for engineering in particular "was not reassuring". Looking to the future, the EEF said: "We see nothing to reverse the downward trend in engineering employment."

The EEF rejected union claims about increasing profitability levels in the industry, and said instead that profits needed to be pushed up to attract funds required for fixed investment, training and research and development.

In the wake of Government criticisms of national pay bargaining, the EEF in its reply to the unions' claims for substantial increases – Mr Jordan had hoped the employers would match pay increases of 7 to 8 per cent he said were being paid by some companies – the EEF expressed its concern that there was increasingly little common ground between the two sides about the basis for national rates.

It told the unions: "There seems little acceptance by you in your arguments that we really are setting a sort of safety net below which people should not be paid, and that we are not setting actual rates of pay, at least for the very substantial majority of the workforce."

At one end of the industry, national rates were ignored, with companies paying domestic rates well in excess of the nationally-agreed levels, while at the other companies ran the risks of having to pay rates which might be set if the EEF accepted the union arguments with reference to unrelated companies.

Arguing that it seemed to the employers "very difficult to set minimum rates for an industry as diverse as ours", the EEF said that arguments based on the profitability of particular companies, such as the unions had advanced, might have their place in domestic bargaining, but not in trying to agree national rates.

After the unions' rejection of the offer on rates, the two sides agreed to reconsider their positions, and will probably meet again next month.

The EEF also rejected the unions' claim for a reduction in hours as part of the pay agreement. It said that the correct forum for considering this issue was the sub-committee which had been considering radical industrial relations proposals for the industry. These included giving 1½ hours off the current 39-hour week in return for greater work flexibility.

The employers refused too to lower the starting level for adult rates from 20 to 18.

Consumer spending boom set to continue

BY PHILIP STEPHENS AND CHRISTOPHER PARKES

BRITAIN'S CONSUMER spending boom shows no signs of abating with high street shops continuing to reap the rewards of buoyant incomes and rapid growth in credit.

Provisional figures released yesterday by the Department of Trade and Industry (DIT) show that the volume of high street sales fell fractionally in October, but that 0.1 per cent decline followed a sharp rise in sales to an all-time high during the previous month, and retailers are anticipating record business in the run-up to Christmas.

Over the latest three months – the best guide to the underlying trend – sales volume was 2 per cent higher than in the previous three months and 6 per cent above the figure for the same period last year.

The latest Financial Times-Confederation of British Industry survey of trends in the distributive trades suggest that turnover will continue to increase during the next few months. At the same time the Treasury is forecasting that the consumer boom will continue throughout 1987, the last full year before an election.

The boom is being fuelled by the sharp rises in workers' income and by the easy availability of credit from both banks and retailers. Independent forecasters are also predicting that sizable tax cuts in next spring's budget will boos spending further.

Reports to the Retail Consortium, the industry's representative body, suggested "patchy" sales during October, according to Mr Richard Weir, acting director-general. This could have been caused by a combination of factors, including heavy spending on the Trustee Savings Bank flotation and the 1 per cent increase in base rates on October 14.

The unusually fine weather might also have affected sales of autumn fashions.

Mr Archie Norman, finance director of Woolworth Holdings, which includes Comet electrical, B&Q do-it-yourself and the Woolworth high street variety chain, said October could be a "funny" time. "People in the industry tend to be circumspect about what the say because the next two months can make all the difference."

High technology groups to create 300 jobs

BY DAVID THOMAS

MORE THAN 300 new jobs in high technology industries were announced yesterday.

BBN Communications, a company based in Cambridge, Massachusetts, specialising in private data networks, is to build its first European plant at Livingston, Scotland, creating 100 jobs, while AB Electronic Products Group, based in Glamorgan, South Wales, will create 230 jobs with a decision to concentrate production of microcircuits for the computer industry at a new factory near Tonyrefail, mid-Glamorgan.

The BBN factory, which will make packet switches and other networking products, is due to be finished next spring and is expected to ship its first products next July. The Scottish Development Agency helped with funds for the plant.

The company's European customers included National Westminster and Barclays in the UK, and ENI and Banca Commerciale Italiana in Italy. Mr Terry Fagin, the company's president, said: "We have long recognised the need to establish an EEC manufacturing base to further satisfy our customers' growing requirements in the UK and throughout Europe.

● Hollis Industries, controlled by Mr Robert Maxwell, and recently involved in a string of engineering company takeover bids, is to close Educational Supply Association (ESA), with the loss of 400 jobs.

ESA manufactures furniture and equipment for schools. Production is to be transferred to other Hollis factories in Hull, Yorkshire and Kircaldy, Scotland.

Hollis said the company had been making losses for two years and would make a significant loss this year.

Hollis, of which Mr Maxwell's Pergamon master company owns 82 per cent, is the centre piece of the publisher's plans to expand his industrial interests.

It recently announced a £4m rescue of Stothert & Pitt, the cranemakers and is paying £8.9m to acquire Grosvenor Group

David Buchan visits the controversial Greenham Common base

Cruise watch kept up as protests dwindle

AMERICAN DOLLARS are still being poured into new security gates, housing and other facilities at Greenham Common, 60 miles west of London – home to the 96 cruise missiles currently in Britain – despite the possibility of a superpower arms control deal that might take all the cruise missiles back to the US.

"We're just doing our job," said Col John Bacs, the Hungarian-born commander of the 501st Tactical Missile Wing at Greenham Common, of his task to assure regular training deployments of cruise missile-carriers to Salisbury Plain and to ensure adequate facilities for the nearly 5,000 US air force personnel and their dependents at the Berkshire base.

"It's up to the politicians to tell us if and when they want us to stop and go home," Col Bacs said. Last month US President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, tentatively agreed that all of their medium-range nuclear missiles should be pulled out of Europe. The Soviet Union, however, has since made a deal on this dependent on resolution of other arms control disputes.

Although there is no let-up in activity on the Greenham Common base, there has been some fall-off in the number of protesters at the base.

When, last Friday, the first party of journalists was allowed into Greenham Common, on a trip that had apparently been planned for months but also happened to come a day before the opening of the Campaign for Nuclear Disarmament's annual conference, the "Greenham Women" demonstrators had dwindled to just 15.

But the protesters' ability to disrupt the base's activities has far from diminished. Indeed it may have increased. In the early hours of November 4 protesters ambushed one of the convoys that goes on average once a month for training on Ministry of Defence (MoD) land at Salisbury Plain. They blockaded the road with a car, threw paint onto the windscreen of one of the massive, 12-wheel missile-transporters and cut its brake pipes. This automatically immobilised the vehicle.

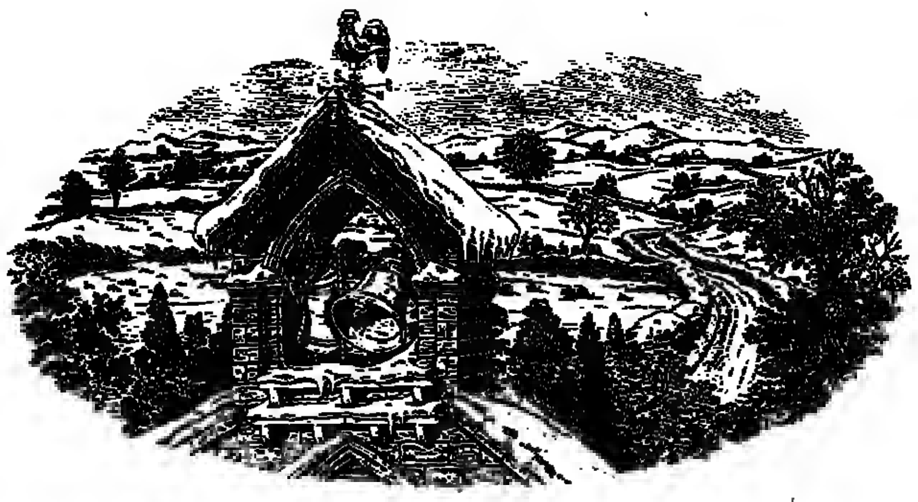
Col Bacs expressed serious concern about the possibility of a serious accident. He pointed out that paint on the windscreen temporarily blinds the driver. No one was hurt on November 4, but a repeat of such action could injure military personnel, bystanders and demonstrators alike, the US commander said.

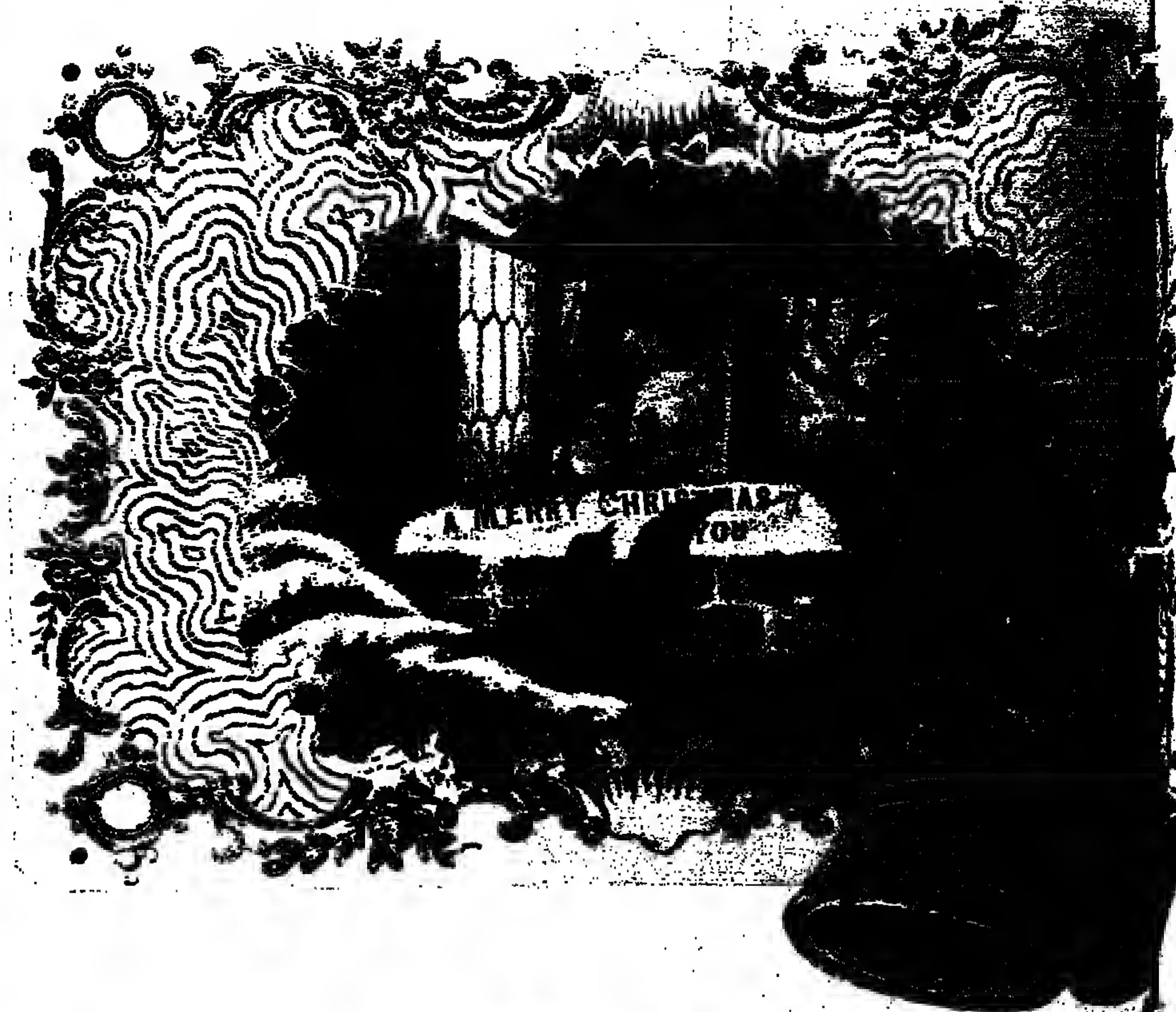
When one of the six "flights" of cruise missiles leaves Greenham Common for Salisbury Plain training on how to disperse in time of war, it comprises no less than 22 vehicles – four Transporter-Erector Launchers (TELs), two equally large Launch Control Centres (LCCs), 10 security trucks, five supply trucks and one removal truck.

In peacetime, Col Bacs stressed, the convoys carried no actual missiles and its guards (a third of whom are RAF Regiment) carry no guns. But in time of increased alert or war "it would be a different ball game," Col Bacs said, hinting that in those circumstances armed force might have to be used against any demonstrators.

The US is responsible for security of the missiles themselves, inside hardened shelters in a top-security compound on part of the Greenham base. But the Royal Air Force is formally landlord of the base, and MoD police and members of the RAF Regiment (basically, an infantry body) have the job of dealing with "trespass" against the 9.5 mile perimeter fence.

Outside the base, too, the cruise convoys travel under local police guidance and control. In all, the UK security forces are doing "a good job," according to Col Bacs.





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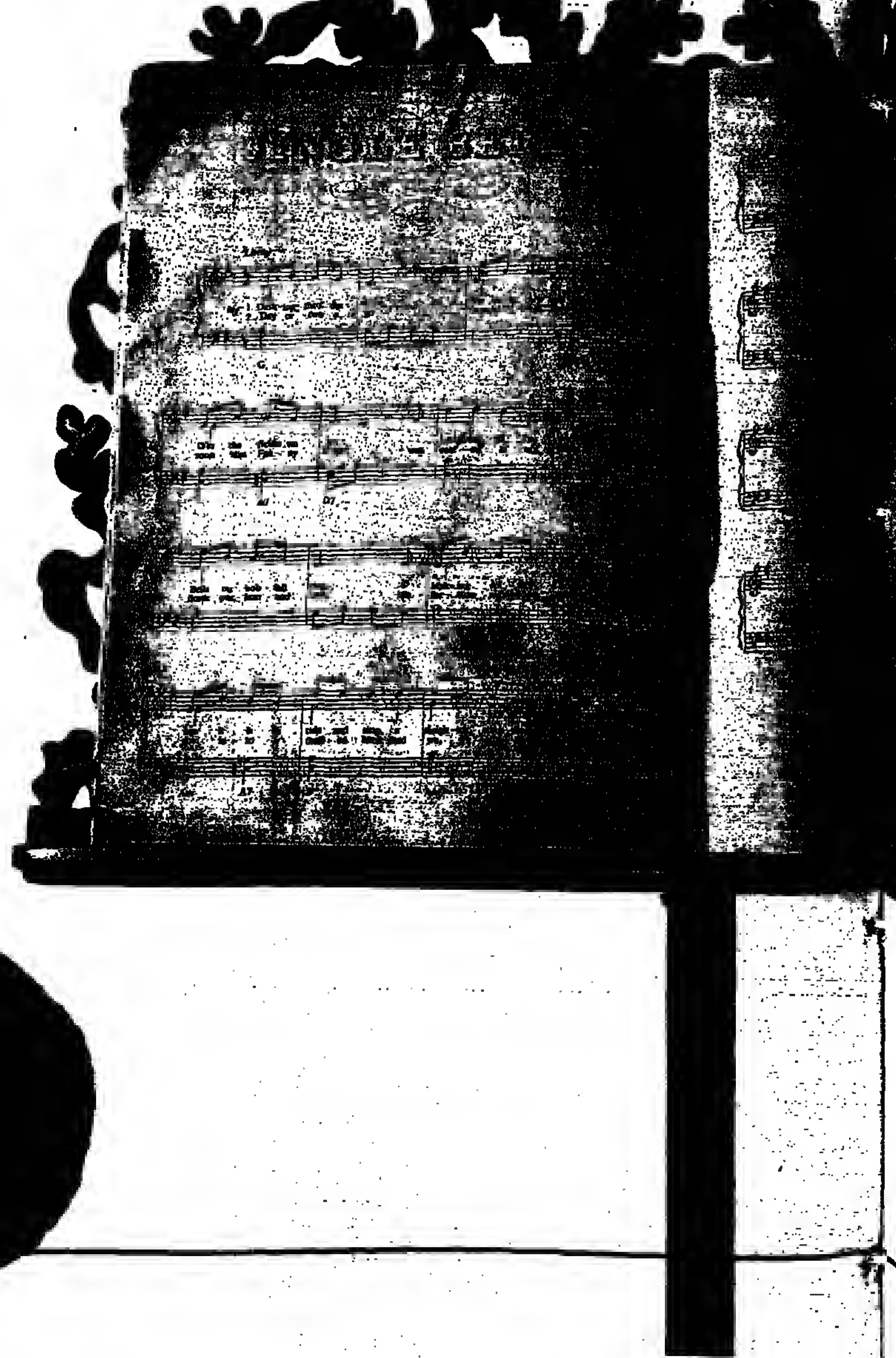

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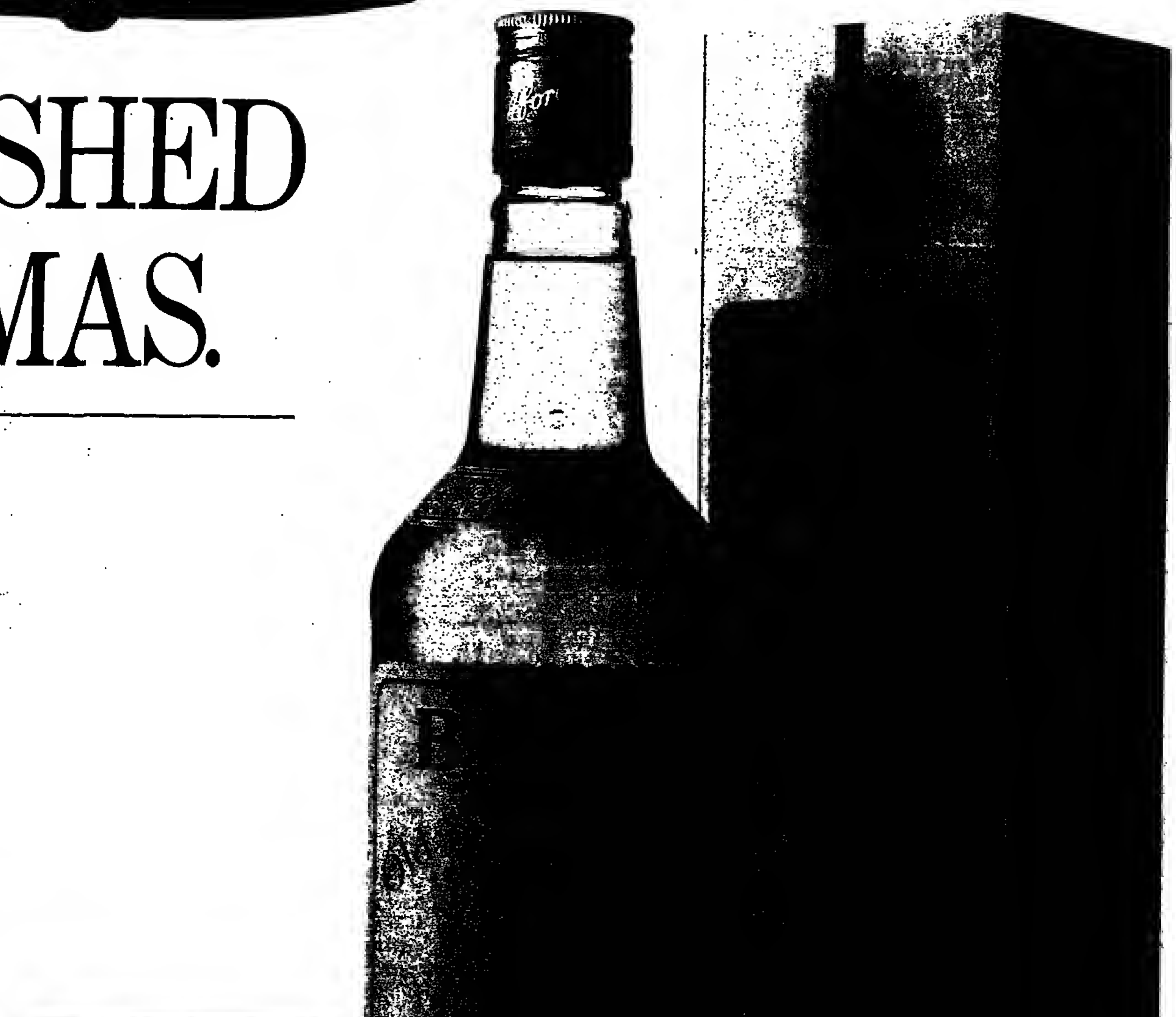


UK NEWS

APPOINTMENTS FOLLOW DEADLOCKED TAKEOVER BID

Manchester Ship changes board

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MANCHESTER Ship Canal Company, which is resisting a long and apparently deadlocked takeover bid by Highams, yesterday made sweeping boardroom changes, appointing Mr Nicholas Berry as chairman and Sir Peter Lazarus, former Permanent Secretary of the Department of Transport, one of three new directors.

Mr Donald Redford, who was chairman up to yesterday's board meeting, has been appointed to the *non-executive post of president of* the company. Mr Berry said there was no question of Mr Redford having been sacked. He had brought forward his planned retirement by about six weeks.

However, Mr Redford's vigorous and uncompromising style has had its critics among shareholders, particularly after the *MSCC's last* annual meeting when his treatment of small shareholders questioning the board's response to Highams was very brusque.

Meanwhile, *Highams* claimed yesterday that it now had 56.1 per cent of the MSCC's 8m shares and 42.6 of the company's traceable votes. The voting structure is tapered to favour smaller shareholders.

Mr Berry immediately disputed the voting percentage, but admitted that the key word in Higham's statement is "traceable." About 6 per cent of votes, mainly of small shareholders, have not been traced. Highams said it would therefore control any general meeting of the company the moment it achieved 47.1 per cent of the votes and proxies present.

It believes this to be an easily realisable objective: both sides could start trying to "unbundle" their holdings into smaller packets held by nominees so as to maximise voting power. *Highams* believes it would eventually get a majority at a general meeting just by doing this.

However, Mr Berry said that ground rules agreed by both sides with the takeover panel stipulated that Highams must have more than half of all the votes, *whether traced* or not. In effect, this means that Highams needs 53 per cent of the traceable votes for the panel to support its claims of victory.

Mr Martin Hill, Highams' managing director, said yesterday that this was still achievable and that the MSCC board should recognise the inevitability of defeat and resign.

Mr Berry, who is a director of the Daily Telegraph newspaper, joined the MSCC board last year with Mr Will Hopper, former Conservative Euro-MP for Greater Manchester and now chairman of the French-controlled Shire Trust in the City of London.

Mr Berry controls a quarter of the shares through the holdings of Harrap, of which he is chairman, and has a personal block of 700,000. Dr Isidor Klausner, Harrap's vice chairman, joined the MSCC board yesterday, as did Mr Grahame Elliott.

Rail travel costs to rise in new year

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

BRITISH RAIL (BR) is planning to limit fare rises in the south east of England to 6.5 per cent early next year, despite a cut of 20 per cent in Government subsidies.

The increase will match the 6.5 per cent increase announced by London Regional Transport for the Underground network, which BR sees as its main competitor for customers commuting daily to London.

The British Railways Board is still considering the level of increases for the rest of the rail network next year, but prices are expected to rise overall by around 4.5 per cent. An announcement is expected within the next two weeks.

The increases compare with retail price inflation of 3 per cent. This is forecast to rise to 3.75 per cent by the end of December. However, the Public Service Operations (PSO) grant paid to BR by the Government to subsidise passenger services will fall from £820m in 1985-86 to £712m next year, an overall reduction of 13 per cent.

The portion of the PSO grant paid to the corporation's Network South East division, which operates London commuter services, will fall from £257m to £205m a reduction of 20 per cent.

Mr John Moore, the Transport Secretary, has also announced further cuts in the PSO grant to £555m in current prices by 1990. In addition, the InterCity network, which received subsidies of £128m in 1985/86, will be withdrawn from grant after next year.

Tory MPs seek reform of Sunday trade laws

By Peter Riddell, Political Editor

NEARLY 100 Tory MPs have backed a House of Commons motion urging reform of the Sunday trading laws. But it is highly unlikely that the issue will be taken up again by the Government before the next general election since the Bill to scrap present restrictions on Sunday trading was defeated in April thanks to a large Tory rebellion.

The motion says: "This House believes that the present law governing Sunday trading is unworkable and requires amendment to take account of the manifest public demand for leisure outlets such as DIY shops and garden centres to open on Sunday."

The significance of the motion lies not only in the total of 98 MPs who had signed by yesterday but also in the seniority and range of opinion of the MPs. The list includes former ministers such as Mr Mark Carlisle, Mr Peter Rees, Mr Ian Gow and Sir Hugh Rossi as well as senior back benchers such as the former chairman of the 1922 Committee, Sir Edward du Cann and the current vice-chairman, Sir Marcus Fox.

The only way the issue is likely to be raised is by a private member's Bill. The annual ballot is held this Thursday so there is a good chance that one of the signatories might have the chance to introduce such a measure.

However, the Conservative Party is divided on the question and anything other than a minor change in the current law could face strong opposition from Tory as well as Opposition MPs.

A subsidiary motive of the signatories is to put pressure on the government to commit itself to action on Sunday trading after the next general election.

Prisoners 'incited to riot'

By a Financial Times Reporter

SOME PRISON officers incited inmates to take part in Britain's prison riots earlier this year, according to a report published yesterday.

The accusation was made by the *Prison Reform Trust*, which gave the first independent account of the disturbances which broke out in 22 jails and detention centres on April 30, after prison officiers took industrial action over manning levels.

The trust's report has been sent to Sir James Hennessy, Chief Prisons Inspector, who is holding an investigation into the riots for the Home Secretary.

The Prison Officers Association said that the accusations were "dsgraceful." Mr David Evans, general secretary of the association, said it was considering legal actions against the trust.

The trust's report includes intervies with six unnamed prisoners who saw the *disturbances*.

Mr Stephen Shaw, trust director, said five of the six prisoners made the "extremely grave accusation" about the role of the prison officers.

There was no single cause of the disturbances, he said. "In part, they occurred because the Home Office's industrial relations tactics relied upon brinkmanship, on calling the prison officers' bluff. Shamefully, a few rogue prison officers took up that challenge and condoned and incited the worst-ever series of prison riots in our history."

Government to increase arts spending by £17m

BY ANTONY THORNCROFT

GOVERNMENT spending on the arts and libraries is to be increased by 5.4 per cent in 1987-88, with a total budget of £339m. However, just over half the £17m rise is accounted for by the new building for the British Library at St Pancras, in London which will cost £18.6m in the next financial year.

The Arts Council, which decides how Government subsidy should be spent in the area of the performing arts, is to receive £138.4m, with its basic provision improved by 3.5 per cent. This is way below the £164m it requested, and less than the £140m it considered as a bare minimum.

Sir William Rees-Mogg, chairman of the Arts Council, said after the Government's announcement: "I am disappointed, that a time when the purse strings have loosened, the Government has ignored the strong and soundly reasoned arguments for greater investment in the arts. Our base grant has only risen from £110m to £113.8m – a rise which does not keep pace with expected inflation."

But Mr Richard Luce, the Minister for the Arts, has produced a more generous budget than the arts world expected, mainly by finding £3m more for post-abolition funding. This year the Government gave the arts an extra £25m to make good the arts expenditure of the abolished metropolitan councils. It planned to reduce this special support to £21m in 1987-88 but, in order to maintain the good response from successor councils, it has decided on a higher level of funding, and is providing £24m.

The Arts Council will probably get by on the £138.4. It will not have to push through its threat to withdraw funding from one of the four major national companies – the RSC, Covent Garden, the National Theatre and the ENO – but no client can expect a "real" increase in grant next year.

The loser in the allocations announced yesterday is the National Heritage Memorial Fund which receives a standstill grant of £3m. This will lessen its ability to safeguard national treasures from overseas buyers.

Baker sees teachers' dispute 'gulf'

BY MICHAEL CASSELL, PARLIAMENTARY CORRESPONDENT

THERE REMAINS a "considerable gulf" between the Government's guidelines for a settlement in the teachers' dispute and the draft agreement reached at the weekend, Mr Kenneth Baker, the Education Secretary said yesterday.

In a short statement made in reply to a private notice question from Mr Giles Radice, Labour's education spokesman, Mr Baker told the House of Commons that he was considering the text of the proposals agreed by four of the six teaching unions. He was examining them against the criteria which he had already laid down and would, "in due time," announce the Government's decision.

Mr Baker placed heavy emphasis on the draft nature of the agreement and emphasised that the unions and employers were due to return to the offices of the conciliation service, Acas tomorrow for talks to clear up several outstanding points. He said that full agreement between the two sides did not yet exist and that the details of the draft text had yet to be finalised.

Glaxo imitates ulcer success

Tony Jackson reports on the scientist behind two of the world's most successful drugs

EXACTLY 10 years ago, a new treatment for stomach ulcers made its debut on the world market. The drug, Tagamet, was greeted excitedly by the newspapers in the UK, its country of origin.

But not even the drug's owners, the US pharmaceutical group SmithKline, foresaw that Tagamet would go on to become the biggest-selling prescription drug of any kind in the world, with annual sales of close on $1bn.

SmithKline's position is now threatened by the British drug company Glaxo, which a month ago claimed to have edged into the top spot with its own hugely successful drug Zantac. The Glaxo drug, also an ulcer treatment, imitates the Tagemet principle – more effectively, Glaxo would claim, and certainly more expensively, but an imitation none the less.

Tagamet is an unusual drug in a number of ways. It was invented by Sir James Black, one of the most eminent drug researchers in the history of the industry. Sir James is a 62-year old Scot who has divided his career fairly equally between commercial drug development and academic life, having in his time held senior positions with the drug companies ICI, SmithKline and Wellcome. At present he holds the chair of analytical pharmacology at King's College, London.

Before coming up with Tagamet – the first successful example of what is technically known as an H2 antagonist – Sir James had in his ICI days produced another best-selling drug, Inderal, the first successful heart drug of the type known as a beta-blocker.

Many in the industry would say that those two drugs remain almost the only examples to date of drugs found not by traditional empirical methods of research – molecular roulette, in industry jargon – but by working deliberately from an inital hypothesis.

The connection between Inderal and Tagamet is that they are both based on the theory of receptors. Broadly speaking, receptors are points in the cells of the body which pass on messages by responding to chemical stimuli.

In the case of Inderal there are receptors in the cells of the heart – known as beta-receptors – which respond to adrenalin and step up the heart rate. Beta-blockers are so called because they block off those – and only those – receptors, and bring the heart rate down.

Similarly, the body has H-receptors, so called because they respond to histamine. Histamine not only plays a role in hay fever and the like, but also triggers off the production of stomach acid – a central factor in stomach ulcers. Anti-histamines of the conventional type had been developed during the Second World War, but were found not to hinder the production of stomach acid.

At SmithKline's UK laboratories at Welwyn in Hertfordshire, north of London, Sir James and his researchers worked on the premise that there were two types of histamine receptor, one connected with conditions like hay fever and the other – H2 receptors – located on the cell walls of the stomach. After 12 years of research and a couple of major setbacks, the team came up with a successful H2 blocker – cimetidine, known by the brand name of Tagamet.

The new drug made a considerable impact on the medical profession. It was unusually free from side-effects, and was evidently a major breakthrough in a serious illness which had previously been treated either with a mixture of antacids and strict diet or with surgery.

Despite the $1bn or so which the health services of the world spend on Tagamet each year, they are probably making a net saving compared with the costs of gastric surgery as undertaken a decade ago.

It was, of course, too goo to last. Smith Kline had a five-year run at a marvellous new market, and then in 1981 Glaxo came up with another H2 anatagonist, Zantac, which despite being deliberately pitched at a premium price to Tagamet made very rapid headway in world markets.

Several other H2 antagonists are now joining the party including one from the Japanese drug company Yamanouchi which has behind it the formidable marketing muscle of Merck of the US, one of the biggest drug groups in the world.

Given Tagamet's good safety record, SmithKline hopes eventually to introduce it as a non-prescription drug, with luck before its patent runs out in 1992. Besides its likely use as a sophisticated indigestion tablet, the drug is vouched for by SmithKline scientists as being an excellent cure for a hangover.

Although the company has provided enormously from Tagamet, it seems to have little in its research cupboard to succeed it. In ulcer research it has moved on from H2 antagonists to a further and more problematic generation of acid suppressants called proton pump inhibitors, but here it is following – at a distance of some years – the work of another drug company, Hassle of Sweden.

The stock market, certainly, is not impressed. At their present price of around $85, SmithKline's shares are on a historic price-earnings ratio of around 13 – well below the Wall Street average, let alone the average for drug companies.

But Glaxo's share price, too has seen better days, with its P/E rating standing only a whisker above the industrial average on the London market. The truth is that huge, blockbusting drugs like Tagamet and Zantac are quite uncharacteristic for an industry in which a $50m product counts as a good seller.

Remaining Chinook helicopters grounded

By Michael Donne

THE REMAINING three Boeing BV-234 Chinook helicopters in the British International Helicopters' fleet have been grounded pending a final solution of the Chinook crash near the Shetland Islands this month in which 45 passengers and crew were killed. The aircraft have not flown since the crash.

This was announced yesterday by Mr Michael Spicer, Minister for Aviation, in a written parliamentary answer outlining the preliminary findings of the crash investigation.

The Accidents Investigation Branch of the Department of Transport had found a "catastrophic fatigue failure" of the spiral bevel ring gear in the forward rotor's gearbox (the Chinook being a twin-engined and twin-rotor aircraft).

This fatigue had multiple origins, but is believed to have resulted in the crash.

TECHNOLOGY

POWER STATIONS

Alterations should reduce acid rain

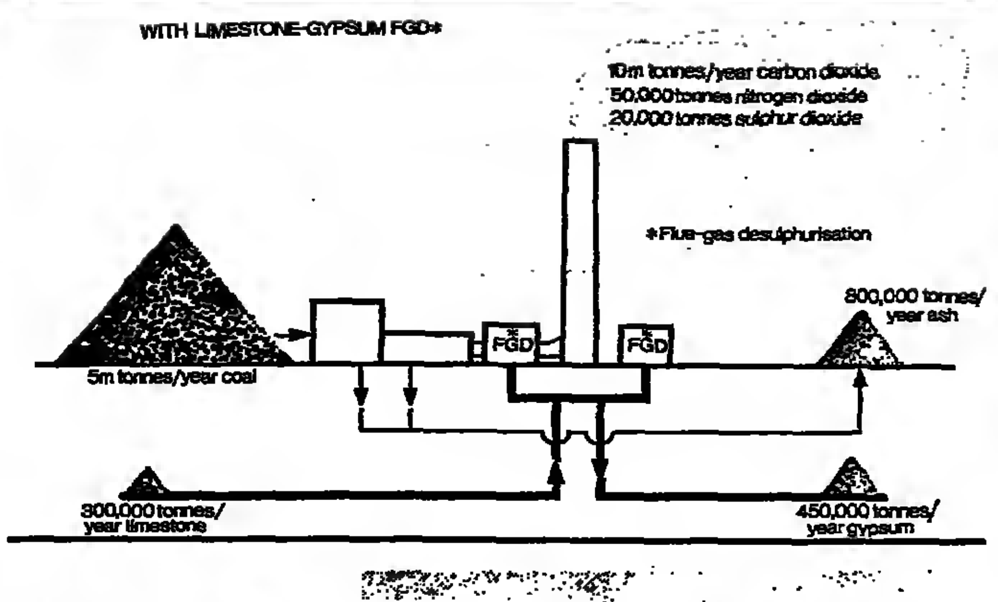
By Maurice Samuelson

MOVES TO combat the problem of acid rain and its polution of lakes in Scandinavia is good news for Britain's power plant industry, demoralised and weakened by a 10-year blight on new power station orders.

The industry's spirits have been lifted by the British Central Electricity Generating Board's decision to spend some £600m on flue-gas desulphurisation (FGD) installations at three of the UK's biggest coal-fired power stations, with a total generating capacity of 6,000 MegaWatts. The work will almost certainly be placed with UK-based companies with licensing rights to Japanese or US technology.

Lord Marsball, CEGB chairman, announcing tha plan in September, said tha aim was to ensure that emissions of sulphur dioxide (SO2) would continue to be reduced for the rest of this century, and that FGD would also be fitted in new coal-fired stations to be built thereafter.

MATERIAL FLOWS FOR 2000MW COAL-FIRED STATION



One cleaning process (above) involves limestone being ground and slurried and then used in a spray tower to contact the gas stream where calcium carbonate reacts to produce calcium sulphate, or gypsum. Drax (right) will be the first power station to be tackled

The first power station to be tackled will be the newly completed extension of the plant at Drax, North Yorkshire. Fiddlers Ferry, Cheshire, will probably come next, followed by a big Midlands station, sucb as that at Ratcliffe on Soar.

At Drax, work is expected to start towards the end of 1989, and when operational four years later, it should be removing abont 90 per cent of the sulphur dioxide emissions from three 660 MegaWatt units.

The scrubbers (gas cleaning systems) on the station's units are expected to cost about £50m each, so lively competition is likely to be aroused among would-be suppliers.

But with up to 100 different gas scrubbing systems in various stages of development worldwide, and with the CEGB cagey about when it will start placing orders, the suppliers are being kept in painful suspense.

In addition to inspecting FGDs already operational in several parts of the world, the CEGB has also commissioned preliminary studies from the UK's Northern Engineering Industries and Davy Corporation about the systems they can offer. This has raised these companies' hopes, although the CEGB says they are only low level studies which will not automatically be followed by orders.

Tha systems considered by the CEGB fall into two broad categories distinguished by the by-products to which they will give rise.

By "washing" the sulphuric emissiors in a limestone slurry—a system used in Japan—the CEGB could produce high grade gypsum, the basic raw material of the plasterboard industry, or lower-grade prodncts suitable for land-fill.

At Drax, such a plant would consist of a quencher and an absorber unit, situated between the induced draught fan and the chimney inlet. The wasta gases would be rerouted through the FGD plant instead of passing straight to tha stack. There would also be areas for grinding and slurrying the limestone, for storing the gypsum and for water treatment.

The other main method, known as the regenerative system, creates sulphuric materials, such as sulphur, sulphur dioxide or sulphuric acid.

Since a major FGD programme would seriously affect the markets for the commodities produced by either method, the CEGB may well decide to install different systems into different power stations on regional marketing factors.

So far, most of the FGD plants built in the US and Japan produce high quality gypsum, for use in plaster board or as a cement drying retardant.

A typical UK wallboard plant would be well matched to the gypsum output from a typical 2,000 MegaWatt power station. The Drax extension, for example, would use about 300,000 tonnes of limestone each year. This process would then produce about 500,000 tonnes of gypsum for re-sale.

But as the gypsum market—like that for sulphuric acid—is limited, the CEGB might also have to dispose of the waste less profitably, such as land-fill.

The need for more than one system suggests that there will be good news for at least two of the principal suppliers of FGD systems. Among those based in Britain and offering a mixture of British and overseas expertise are: Northern Engineering Industries International Combustion; Babcock Power; Foster Wheeler; and Davy Corporation.

The UK market is also being eyed closely by Flakt, the large Swedish engineering company, which has installed limestone-based scrubbers in the US, West Germany and Scandinavia.

Davy has a strong chance of winning some business since it claims to be the only group with a commercially-proven gas-scrubbing system for producing sulphuric acid. This is the patented Wellman-Lord method, developed and patented by Davy.

It uses recycled sodium sulphite to recover sulpbur oxides from waste power station gases and can produce saleable sulpburdioxide, sulphuric acid or sulphur. It could be a candidate for the Fiddlers Ferry power station.

Davy bas built about 25 such systems in the US, five in Japan and a growing number in East and West Germany and Austria.

Although up to 20 per cent more expensive to build than the gypsum plants, the Wellman-Lord system gives products which are easier to store and to sell. To hedge its bets, Davy also bas the European rights to construct a gypsum system using the American-patented Research-Cottrell method.

One of the main gypsum-type scrubbers is that offered by Mitsubishi, which has installed nearly 60 gas scrubbing units in some 15,000 MegaWatts of power station capacity. Mitsubishi claims to hold half the Japanese market, and to have won orders in West Germany and the US.

NEI, which has access to the Mitsubishi technology, says that if it wins contracts for desulphurisation in British power stations the hardware would all be built in the UK—at least 75 per cent by itself and the rest by specialist subcontractors.

Japanese technology is also on offer from Babcock and Foster Wheeler linked respectively with Hitachi and I.H.I. (Ishikawajima-Harima Heavy Industries).

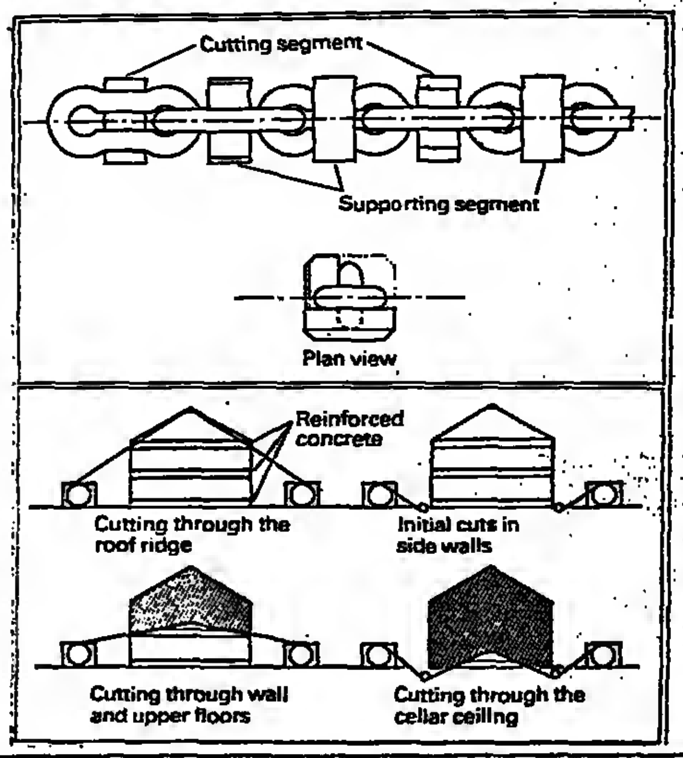
WORTH WATCHING

Edited by Geoffrey Charlish

Noisy neighbours—sawn but not heard

BUILDING COMPANIES wishing to slice a pair of semi-detached bouses into two — effectively -detached — dwellings have the answer in a gigantic chain saw (illustrated below) which features diamond teeth and has been used in an experimental project in Carinthia, Austria.

There is a worthwhile objective to this apparently fantastic dissection. By creating an air gap of just over an inch between the buildings, it is possible to improve sound insulation by seven decibels. Snch separations have been achieved in Germany for as little as DM 20,000 (£7,100).



The sawing system was developed by Hellman Trenntechnik of Landau.

Automation put to the test

CONFORMANCE TESTING of MAP and TOP products will soon be carried out by Networking Centre, a UK company in Hemel Hempstead which is setting up testing facilities under Department of Trade and Industry funding of over £1m.

MAP (manufacturing automation protocol) and TOP (technical office protocol) are initiatives led by General Motors and Boeing respectively to persuade manufacturers of factory and office automation equipment to use international standards for network communications. This

The conformance testing will be possible for those setting up automation systems to use products approved by the centre with the assurance that they meet the MAP and TOP specifications.

Having words with a computer

VERBAL instructions to, and spoken answers from an IBM personal computer are made possible by a single plug-in board develeped by R & D Speech Technology of Ely, UK.

The new board permits spoken control and response in such applications as word processing, computer aided design, office systems and process control. For speech input, the device is trained by the user to recognise a series of words or phrases. Up to 96 words can be stored on the board in 20 phrases.

Printer beats counterfeiters

PRINTERS of such items as share certificates, pharmaceutical packaging, record labels and lottery tickets can beat counterfeiting with a system called Scrambled Indicia.

This uses optical scrambling and unscrambling. Areas on items are printed using process cameras equipped with a special lens. The result is unreadable unless viewed through the "inverse" of the lens used in the camera. Counterfeit items would lack such printing and can, therefore, easily be identified.

Prodnction of the original images is under the strict control of Graphics Security Systems in the US, which developed the system.

Scrambled Indicia has been patented in 14 countries where companies using it have reported no loss or fraud due to counterfeiting.

In the UK, Scrambled Indicia is offered by Avery Label Systems of Maidenhead, Harrison and Sons, security printers of High Wycombe, and Lawson Mardon, a packaging company.

Plug tells of its own failures

ELECTRIC PLUGS that emit an audible warning note if the power fails or the device is removed from the socket have been introduced by B & R Electrical Products of Harlow, Essex, UK.

The plugs should prove useful in industry and in the home where it is essential to keep certain equipment running such as freezers, fish tank heaters, greenhouses or life support systems.

Contacts: Hellman Trenntechnik—Mr Stan Herbert of De Beers (UK), 0990 23456. Networking Centre (UK), 0442 217611. R & D Speech (UK): 0353 2879. B & R Electrical UK), 0279 443351.

Milva as Jenny Diver and Michael Heltau as Mack

L'Opéra de Quat'Sous/Paris

Michael Coveney

Just after he had directed the Italian premiere of *The Threepenny Opera* in 1956, Giorgio Strehler received a note from Brecht asking him to direct all his works, one after the other. Strehler's Brecht productions at the Piccolo, Milan, were the foundation of his reputation which, in its autumnal efflorescence in the Théâtre of Europe project based at the Odéon in Paris, is an abiding glory of the European cultural scene.

This is Strehler's fourth *Threepenny Opera*, presented with the Théâtre of Europe in the magnificent musical theatre cavern of the Châtelet (seating 2,200) and is easily the best version I have seen. It is produced with only so much splendour as beggars can imagine, but is entouched with the tired and unprompted lavishness that sunk our own recent National Theatre account. It fills the theatre with style and panache—the setting is inter-War New York gangland rather than Victorian Soho—and most successfully offers Weill's great songs as full-blown objective comments on the action.

The narrator is dispensed with, scene and song headings drifting across the proscenium on a travelling electric message strip, two circular flickerlog strips joining the over-titles with the set, designed by Ezio Frigerio (Strehler's regular collaborator) as a great city garage with different film lots revealed behind a separating wooden fence. In a gesture of insouciant authentication, "Mack the Knife" is the recorded, crackling voice of Brecht himself, that old Berlin Telefunken sound quality emerging from a downstage phonogram.

But there is nothing perversely reverent in the staging. The wedding of Mack and Polly is not in a stable, but in the garage, lit by the headlights of several vintage cars, the bridal bed a converted Ford interior. The whorehouse which harbours Mack on the run is an exotic flophouse heaving with sensuality and exhaustion, both qualities transmitted in bucketfuls by Milva, the Italian cabaret artiste, as Jenny Diver. In "Pirate Jenny," the "Tango Ballade" and, especially, the "Solomon Song" (filched from Polly), Milva proves she is the best thing to have happened to Brecht's songs since Lotte Lenya.

Milva appears to sing not from her lungs but straight up from the pit of her stomach. With little time to impress, she brings a lifetime of sighs and anger to the hoil in one combustible movement of throwing her wig to the floor, or sliding erotically across the stage to claim the object of her revenge. Peter Fischer's musical direction is faithful to the original orchestrations; the combination in the "Solomon Song" of Milva's voice, the harmonium and the trumpet is as perfect as you could desire in its controlled wash of nostalgic valedictory.

This is, however, far from being a one-woman show. Michael Heltau of the Viennese Burgtheater is a sinuous, calculating Mack, balding and middle-aged as Brecht specified and not at all the slick narcissist English productions often project. His Polly is the fine German film actress Barbara Sukowa, who sings competently and performs with spirit. Yves Robert and Denise Gence (a great Comedie Française favourite) lead the native contingent as the Peachums and all the criminals are sharply and memorably characterised, from Jean Benguigui's roly-poly Tiger Brown to Jean-François Perrier's cool and sparkling Walter.

Frigerio's designs and Franca Squarciapino's costumes are a stylish riot of colour and visual surprise. At nearly four hours, the evening is long but not tiresomely so. Each scene is played fully for its worth and the songs delivered as separate entities, often on a platform running along the audience's side of the pit. There are no dead spots between text and music, Strehler profiting by a processional deployment of his cast—for instance, in the whorehouse, or the Act 3 opening of a Fellini-esque parade of businessmen and cripples. The policemen are done as the Keystone Cops, a farcical risk that comes off.

The French text has been prepared by Strehler with Miriam Tanant, with one or two choruses left in German. Performances continue at the Châtelet until February 8, the conductor's baton passed hack and forth between Nicholas Kemmer and Diego Masson. The playing on Friday night under Kemmer struck me as magnificent, without flaw in either tempi or execution.

National Portrait Gallery/William Packer

Using the camera as a brush

The National Portrait Gallery is exhibiting until January 11 *Staging The Self*, a thorough and extraordinary survey of the practice of self-portraiture by photography, the possibilities of which have intrigued photographers since the camera was invented. In recent years, with the camera accepted as a primary tool of the artist, as natural as the brush, the self portrait as image and idea has become a standard of the work of the *soi disant* artist photographers.

Indeed, the work of such artists as Duane Michals, Helen Chadwick, Arnulf Rainer, Cindy Sherman and Gilbert & George, is now essentially self-centred to a degree unknown before, with the self supplying the sole subject matter. Such work is rightly and well shown in this exhibition and if Gilbert & George are unrepresented, it is only because their work is too overbearing for this limited space.

There is little especially new in such preoccupation any more than there is in narcissism itself. The camera has only made the urge to dress up, with oneself the centre of elaborate tableaux, all but irresistible to certain temperaments, simply by making the results more certain and immediate. And who is to say where a natural showing off fades into exhibitionism, with perhaps a pinch of masochism thrown in? For it seems that a great many of these artists and photographers have been more concerned to take off their clothes than put more on.

Nadar may have seen himself as a red indian, Lantrec as a Japanese, Loti as an arab, but that is uncomplicated fancy dress when set against the more ambiguous statements of the self. Whether it is Munch painting on the beach at Warnemünde in 1907, Imogen Cunningham at length in her meadow the year before, or Molinier, Appelt, Coplans and Mapplethorpe in the 1960s, '70s and '80s, the frisson of self-regard borders on the prurient, though to say as much should not be taken as any kind of moral censure.

But Frederick Holland Day in the 1890s was enacting Christ's Passion to much contemporary scandal, with himself in the central role; William Mortenseo in the 1930s was hanging himself by the arms with great weights swinging from his feet; Arnulf Rainer in the 1970s was violating the contorted and grimacing images he had made of himself — and it is perhaps legitimate to read something more into such obvious self-abnegation or contempt.

The comparatively questionable manifestations of obsession, however, are hardly the rule, and it is only in the more recent work that any programme or polemic becomes at all obtrusive or heavy handed. The feminist critique behind the work of Jo Spence and Terry Dennett, for example, is rather less engaging than the amused and *unself-conscious* feminism of Alice Austen in the 1890s, the proto-surrealist montage of Louise Deshong-Woodbridge in the 1900s, or Berenice Abbott's technical self-distortion of 1930. The simple, dignified, manly self-regard of Frances Johnston in 1898 is certainly as remarkable as Judy Dater's enjoyable deadpan satires of 1982.

Indeed, in all this work from the 1840s to the 1980s, the most interesting and creative is that which is most direct in its enjoyment of experiment and response to technical opportunity, and fresh in the wit of its taking up of imaginative possibility. From the moment in 1840 when Hippolyte Bayard saw himself as the Drowned Man, artists have known the image of their own mortality, which worries and teases and amuses them still.

The National Portrait Gallery is also celebrating the Queen's 60 years in a remarkable and fascinating exhibition (until March 22) of some of the portraits of all kinds that have been made of her in that time. It shows Her Majesty clearly to be—as in Raleigh's compliment to her Tudor namesake and cousin so many times removed —"a lady whom time hath surprised." But one's first impression, even so, is that she has been better served by her photographers than her painters. The curious thing is that the paintings in general are none the less interesting for that, though their quality may be uneven.

Rather, it is that one's reading and enjoyment of them are simply at odds with one's response to the photographs, for all those painted and photographic image alike were so often the product of official commission, to mark a birthday perhaps, or state occasion, or satisfy the general institutional demand for a national icon.

Early and late, the photographs are immediately and naturally engaging and often actually beautiful, yet it is repeatedly the case that the earlier images are the more memorable and definitive. All were the work of fashionable studio portrait photographers such as Marcus Adams, Dorothy Wilding, Karsh and Baron and, of course, Cecil Beaton. And all of them, with the exception of Beaton, have been lightly passed over for far too long as mere hacks or journeymen, beneath serious critical consideration. Only now, with our eyes beginning to refocus unprejudiced on their work, do we begin to see quite how good they were.

Peter Greenham's large 1964 painting of the Queen in light long evening dress seated like Goya's *Condesa de Chinchón* within a shadowy and unspecific space, is a remarkable though flawed and unresolved attempt at the grand full length. But it is a lovely thing nonetheless and stands for the general truth that, while a good painting *may* fail as a portrait there is no such thing as good portrait which is a bad painting.

The two best portraits here —apart from the Annigonis which dominate the show—confirm it, and they fall too within the second case of the personal, direct and modest statement. Rodrigo Moynihan's small head and shoulders of the Princess in 1945, and Michael Noakes's rapid study of the Queen in 1973, are fine things, confident and convincing likenesses that look behind the mask and carapace of throne and state with natural, respectful simplicity to the woman herself.

Self-Portrait by Joszef Pegst

The Baron in the trees/Prague

William Weaver

One of the reasons I went to Prague recently was to see Karel Capek's *Vec Makropulos*, the 1922 play which inspired Janacek's opera (usually called *The Makropulos Affair* in English); but the leading actor apparently fell ill and my performance was cancelled. In Prague, however, there is always something going on; and as I walked past the Rokoko Theatre I saw that they were giving an adaptation (by Armando Pugliese) of Italo Calvino's *The Baron in the trees*: I bought a ticket immediately.

Since I know only a few words of Czech, I planned to stay just for the first act; but the brilliant staging by Karel Kriz and the dynamism of the largely young cast quickly fascinated me, and I sat through the whole play, frequently laughing as heartily as my Czech neighbours. Kriz, I later learned, made his own adaptation of Pugliese's dramatisation (which I had missed in Italy); his work was rich in Calvino's mordant irony and soaring imagination. There is, I discovered, such a thing as physical wit; and Kriz's actors possessed it to an abundant degree.

The Czechs have a gift for mime, but mime was only one element in Kriz's production (sets, props, and costumes were extremely simple). There was obviously a good deal of verbal play, to judge by audience reaction, and visual humour. I will not soon forget the moment when the pretty, perky Julie Juristova, held by actors, turned into the rising and dipping figurehead of a ship's prow. Vaclav Vydra's bravura interpretation of the bandit Gian Capone was another highlight.

Boris Rosner, who played the eccentric Baron of the play's title, is leaving the Rokoko company (who will then drop the Calvino work from its repertory), to join the National Theatre. There, I saw Alois Jirasek's *Lucerna*, a work dating from 1906 and now considered a Czech classic. The mercurial Rosner may bring vitality to the troupe, which—on the basis of this one experience—seemed rather "official," like the Comédie on one of its starchy nights. In this story of good peasants, stiff aristocrats, and magic creatures, Josef Kemr stood out as Ivan, the senior of the play's two water-goblins. Tall, hieratic, he delivered his opening diatribe with a fiery authority that seemed to make it comprehensible even to me.

The role of Hanicka, a young peasant girl, was taken by a student of the Drama Academy, Simona Postlerova, an actress of immediate grace and bewitching beauty. But her interpretation—perhaps thanks to the direction of Frantisek Laurin — seemed mannered, posed.

The following night, with a cast of fellow-students, I saw her as Polly Peachum in an exhilarating student production of *The Threepenny Opera* at Disc, a theatre studio that has a rich, regular season (they are also doing Goldoni, Shakespeare, Gogol). Here unbounded enthusiasm was the key to Petr Kracik's irresistible staging; and Postlerova was transformed: impudent, vital, sexy. All the students in the large cast were so charged with energy, leaping, falling, doing acrobatic feats, that critical faculties were promptly suspended. I just sat back and enjoyed myself.

Julie Juristova (centre) in The Baron in the trees

'Stravinsky Plus' at the Barbican

The Barbican Centre is holding a 25-day *Stravinsky Plus* festival in conjunction with the London Symphony Orchestra and The Guildhall School of Music from January 29 to February 22.

Sponsored by Nikon UK and Rank Xerox, the festival includes 17 symphony and chamber concerts, a free foyer exhibition, video screenings of historic performances and interviews all developed to Stravinsky.

It is part of the Russian season at the Barbican

Ashley Putnam, who sings the title role in Covent Garden's new production by Russian director Yuri Lyubimov of Janacek's "Jenufa," which opens at the Royal Opera House tonight. Max Loppert's review will appear tomorrow

Takács Quartet/Wigmore Hall

Max Loppert

The "House Full" sign and the queue of hopefuls for returns showed on Friday that the Takács Quartet are now among the select groups who fill the Wigmore. And no wonder: such beautifully balanced, radiant-toned, subtly moulded quartet playing merits every hit as much.

The latest Takács programme was Classical—Haydn, Mozart, Brahms—and in each work the players displayed that particularly rich, wide variety of response within a properly Classical framework that only the most sensitive ensembles are able to explore. As sound the three performances were each a marvel: to the youthfully energetic shine that one first admired a decade ago has been added a unification of technique, style and approach that betokens unbroken artistic development.

The best, *unusually*, came at the beginning — Haydn's "Fifths" Quartet, Op 76 No 2, *bitingly dramatic* without ever seeming driven or forced. In the Andante, the Takács gift of playing a simple melody simply and, at the same time, with myriad fine nuances of nostalgia and pathos made this unlike almost every other performance of the work I have heard. When applied to the Adagio of the Mozart "Hunt" Quartet, the same slow-movement sophistication took the reading almost to the edge of mannerism without ever toppling over.

After the interval the Brahms C minor, Op. 51 No. 1, was presented as an unhurried meditation on themes of Brahmsian emotion, recollected in eloquent tranquillity; the performance was expansive, never massive. The corporate melodic voicing and supporting in the middle movements was graced with so tenderly intimate a characterisation of moods that one felt guilty about those very few moments when one regretted the absence of Brahmsian grit. It will be interesting to discover what new powers this group will acquire, what new energies and insights.

Mischa Maisky, whom 13 years ago I admired (at the Spoleto Festival) as a young cellist whose distinctively simmering intensity was restrained by proud, razor-sharp musicianship, has in the interval become one of the world's jet-set instrumentalists, with a recording contract to match. He has also, to judge from the first half of Saturday's Wigmore recital, become a big, obvious, playing-to-the-gallery-style international performer.

In the Strauss sonata — bow noisy and loog-winded it here seemed—and then in the Beethoven D major, Op. 102 No. 2, the large-scale utterances came pouring out with the sort of smeary, all-purpose emotionalising that did not disguise repeated faults of intonation; then came the quiet slow passages, fined down to a showman's whisper.

Spontaneity was clearly intended; what was actually communicated was the sense of a musician who has lost touch

Tedd Joseloon/Elizabeth Hall

Dominic Gill

Tedd Joselson is a pianist quite new to me, although he has appeared with a number of US orchestras and recorded for RCA. He is a serious, obsessive artist with a strong Cherkasskian streak of experiment and adventure, American horn, Juilliard trained. I liked his serious, courtly account of Mozart's D sonata K311 at the start of his recital on Sunday afternoon—and the delicate (sometimes even over-inflected) voicing of the slow movement, as well as the bright orchestral colours of the finale.

The crescendo of mounting tension, however, did not stop with Schubert. And by the time Mr Joselson had reached Prokofiev's sixth sonata, we had serious fears that he was going to fly apart on the platform right there in front of our eyes. In its relentless fashion it was an intriguing performance, which took every parameter of Prokofiev's score and magnified it until it leaped screaming from the page; but in terms of pure emotional production, far beyond what the composer can ever have dreamed of, let alone intended, without a second's respite from start to finish, it was probably the most exhausting performance of any piano work I have ever heard.

The focus of his performances of two short Liszt pieces, the D flat *Consolation* and the late *Nuages gris* was crushingly close — every single aspect listed, and ticked off, as it were, from the blueprint of the "ideal" performance. His treatment of Schubert's Wanderer Fantasy like a brilliant Lisztian canvas, which is legitimate; the playing got very splashy from the *fugato* onwards, and in the closing pages was positively hysterical — but it all seemed somehow in a good cause. Mr Joselson meant well, and much of what he had to say was original and arresting.

Even the slow waltz was shaken from head to foot with passion, with unassuaged desire — in pursuit of which not a few pianissimos found themselves preternaturally transformed into forte, to very singular effect. I did not dare to stay to see if Mr Joselson would proceed with encores: but if he did, there must have been blood upon the keys when he finished.

Chertsey shield on show

Spectacular new finds of the British iron age are pouring out of the ground. Today's is the Chertsey shield, the first Celtic shield made completely of bronze. It has just joined the Wetwang Slack cart burials and the sacrificed Lindow Man—all remarkable iron age discoveries of the past two years—in the exhibition at the British Museum of *Archaeology in Britain: New Views of the Past*. Like Lindow Man, the shield was a ritual offering to a Celtic water god.

Now it has been offered again. RMC group has given the shield to the BM for the nation. Mr Douglas Blake, operating a dragline for gravel at the company's quarry at Abbey Meads, Chertsey, Surrey, came upon it 11 months ago.

Other Celtic bronze shields are in fact coverings — often splendid—for wood or wicker frames. The Chertsey shield is unique because it is solid bronze, though its interior bronze handle (protected by spindle-shaped boss on the outside) has a wooden core. This was waterlogged when found, which saved the wood which gave a radiocarbon date of about 400-200 BC.

This year, the Chertsey quarry has produced a second ritual offering, a well-preserved bronze sword, datable stylistically to the 10th century BC. Clearly, there may be many more such finds — just as the Wetwang Slack gravel quarry in Yorkshire had three cart burials and Lindow Man was the second bog body from Lindow Moss in Cheshire.

Gerald Cadogan

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

November 14-20

LONDON

Royal Opera, Covent Garden: The new production of Jenufa - conducted by Bernard Haitink, produced by Yury Lyubimov (London opera debut) - is one of the most keenly awaited events on the 1986 operatic calendar. Ashley Putnam, another London debutante, takes the title role, and the cast also includes Eva Randova, Philip Langridge and Neil Rosenshein. Last performances of the Traviata revival with Ileana Cotrubas taking over from the indisposed Lucia Aliberti. (2401066)

PARIS

Offenbach's La Belle Hélène with the title role sung by Eva Saurova/Valérie Marestin and that of Paris sung by Pierre Catala/Roger Pujol. Théâtre de Paris (4874 1075).

Wozzek conducted by Lothar Zagrosek in the production by Ruth Berghaus. Paris Opéra. (42665022)

ITALY

Trieste: Teatro Communale Giuseppe Verdi: Verdi's Rigoletto conducted by Hubert Soudant and directed by Lamberto Puggelli (San Carlo di Napoli production). Cast includes Susie Jo, Gloria Scalchi, John Rawnsley and Antonio Sevastano. (Fri). Also Bellini's Norma, conducted by Romano Gandolfi with Katia Ricciarelli, Elena Zilio, Carlo Cossutta and Roberto Scandiuzzi. (Tue) (631948).

Turin, Teatro Regio: Wagner's L'Oro del Reno conducted by Zoltan Pesko and directed by Gianfranco de Bosio, sung in the original language with one Italian soprano (Stella Di-az) and an otherwise entirely German cast (Fri, Sun, Tue).

WEST GERMANY

Berlin, Deutsche Oper: Eugen Onegin is revived with Daphne Evangelatos, Pilar Lorengar and Lenus Carlson. Elektra brings Helga Dernesch, Janis Martin, Marita Napier and Hans Beirer together. Aida has fine interpretations by Ilona Tokody, Cristine Anghelakova and Giorgio Lamberti. Also in the repertory: Katya Kabanova and Zar und Zimmermann.

NETHERLANDS

Amsterdam, Muziektheater. The National Ballet with Giselle choreographed by Petipa and revised by Peter Wright (Wed, 2 perfs). Premiere of the Netherlands Opera production of Der Kreidekreis by Alexander von Zemlinsky, directed by Herbert Wernicke. The Hague Philharmonic conducted by Stefan Soltesz, with Stella Kleindienst, Hebe Dijkstra, Maarten Flipse and René Claassen (Thur). (255455).

NEW YORK

Metropolitan Opera (Opera House): The week features the first seasonal performance of I Puritani conducted by Richard Bonynge in Sandro Sequi's production with Joan Sutherland, Salvatore Fisichella, Sherrill Milnes and Samuel Ramey. It joins the repertoire of Romeo et Juliette sung by Placido Domingo with Cecilia Gasdia; Der Rosenkavalier conducted by Jeffrey Tate in Nathaniel Merrill's production with Anna Tomowa-Sintow, Brigitte Fassbaender, Taro Ichihara and Gottfried Hornik; and Tosca conducted by Garcia Navarro in Franco Zeffirelli's production with Eva Marton, Placido Domingo and Italo Tajo. Lincoln Center (3626000)

WASHINGTON

Washington Opera (Opera House): World premiere of Goya by Gian Carlo Menotti is performed by Placido Domingo, for whom it was written. Using historical fact and romantic fantasy, it recounts the affair between the painter and the Duchess of Alba, the model for the Maja portraits, played by Victoria Vergara, with Karen Huffstodt as her rival, Queen Maria Luisa. Rafael Frühbeck de Burgos conducts. The season also includes four performances of Il Matrimonio Segreto staged by Michael Hampe and the Cologne Opera with Carlos Feller as Geronimo and Janice Hall as Elisabetta. Arnold Oestman conducts. Kennedy Center (2543770)

CHICAGO

Lyric Opera: Un Ballo in Maschera joins the repertoire conducted by Giuseppe Patane in Sonja Frisell's production with Maria Chiara and Luciano Pavarotti. Handel's Orlando in John Copley's production is conducted by Charles Mackerras with June Anderson, Marilyn Horne and Jeffrey Gall. Edita Gruberova takes the title role and Neil Shicoff sings Edgardo in director Peter Reichenbach's production of Lucia di Lammermoor conducted by Charles Mackerras. (3322244)

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Telephone: 01-248 8000
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Market cure for steel

THE European Community's agonised deliberations on the future of its six-year-old "crisis" regime of controls on steel production and prices show all the signs of bearing out the truth of the old adage that nothing is more permanent than the temporary.

At a meeting of EEC industry ministers today, the European Commission is due to renew pressure for the phasing out of production quotas by the end of next year. It argues that liberalisation is justified by the return of more stable market conditions, thanks partly to progress made in rationalising capacity since 1980.

However, the programme faces serious obstacles. Though most EEC governments accept in principle the case for liberalisation, they are deeply divided over how far and how fast it should go. Only the Dutch appear ready to approve the Commission's plans in their entirety.

The Commission's task has been further complicated by the last-minute intervention of Eurofer, the association of major integrated steel producers, which insists that the market is still too fragile and burdened by too much excess capacity to be able to withstand the rigors of free competition.

Instead, Eurofer is offering voluntary cuts of 11.9m tonnes in its members' capacity, provided the existing quotas are maintained until next July and succeeded by some form of controls until 1990. What these should be has been left vague, though Eurofer may have in mind a return to the market-sharing arrangements which prevailed in the late 1970s.

Quota system

The plan, which has still to be fleshed out in detail, raises several immediate criticisms. The first is that the capacity cuts proposed may not go far enough. Some EEC officials estimate that, to reflect accurately Eurofer's share of total excess capacity, the cuts should amount to more than 15m tonnes.

Furthermore, Eurofer has yet to prove that it can deliver on its promises. Balanced Europe-wide capacity cuts are difficult enough to negotiate in the best of circumstances. The incentive for steelmakers to agree among themselves is likely to be even smaller if they are subject neither to market pressures nor to direct political compulsion to restructure.

During the past six years, the industry has already succeeded in trimming more than 30m tonnes of excess capacity. But this has been achieved at the cost of a quota system based on producers' historic production levels which has prevented more efficient steelmakers from fully exploiting their competitive advantage. To prolong the cartel for another five years would risk penalising them still further, while lulling Eurofer's weaker members into a false sense of complacency.

That would not only retard the adjustment process but would also be contrary to the interests of Europe's steel consumers, whose contributions to economic growth, employment and EEC trade far outweigh those of the producers.

Political realism

Many European governments may nonetheless conclude that the approach outlined by Eurofer deserves to be explored further, while uncertainties about the market remain. Even countries with financially strong steelmakers have reason to fear a precipitate return to a free market if the result were an outbreak of destructive price competition and a renewed subsidy war.

Political realism may thus dictate some flexibility in the Commission's approach. If necessary it should be prepared to extend by a year or so its timetable for the removal of production and price controls. But in exchange, it must insist at all costs that EEC governments commit themselves to a new and binding deadline for the completion of liberalisation.

If Europe's steel industry is to return to reasonable health, its departure from the convalescent ward cannot be deferred indefinitely. The longer it is delayed the greater is the risk that administrative control of the steel market will become permanent, with damaging effects on the European economy.

Toothless bill on product liability

THE PRODUCT liability legislation, proposed by the Thatcher Government in a bill due to be *published on Thursday*, is designed to implement the EEC directive on this thorny subject. It would remove the anomaly of English law, whereby those who suffered as a result of defective products can claim only against their immediate suppliers. A reform establishing a direct claim in respect of death, injury or damage to personal property against the manufacturer has beeo much overdue at a time when it is the manufacturer's advertising rather than the recommendation of a friendly shopkeeper which creates consumer *expectations of* utility and safety.

The main aim of product liability law, as developed by US judges, to make liability independent of negligence or other fault on the part of tha manufacturer, is unlikely to be achieved in the way intended by the Government. *It is proposed to emasculate the legislation by including* in it the "state of the art" exemption allowed by the EEC directive. This enables manufacturers to avoid liability if they can show that the state of science and technology at the tima when the product was placed on the market did not allow them to foresee its harmful effects.

Burden of proof

As a result, although the individual *claiming compensation* will no longer have to prove negligence, the manufacturer could defeat the claim by the "development risk" defence, by proving that he has applied the latest scientific and technical knowledge with proper diligence and regard for *the consumer's safety*. However, the consumer will rarely be in a position to benefit from this reversal of the burden of proof: the cost of litigation in terms of time, money and nervous energy will deter most from pursuing their claims in court. One of the aims of making product liability "strict" in the legal sense, is to avoid complicated litigation. The development risk clause would defeat this aim.

The other aim of product liability legislation is to achieve a fairer distributon of development risks. Under conditions of mass production, the safety of new products can often be checked only by statistical evaluation of random tests. As a result, it is possible that in spite of utmost care on the part of the producer, a few individuals will be harmed by a product which brings a great *benefit* to the *overwhelming* majority of consumers and to society. This is particularly so in the case of medicines, which, while improving the health of millions, may cause severe damage under unforeseen circumstances, or to a certain type of patient whose condition could not be taken into account. Such burden of development risk is too heavy for the individual to bear, while the manufacturer can insure or self-insure against it. The "state of the art" clause of the proposed *legislation would leave* this unfair burden on the shoulders of the individual.

US experience

The proposition that the manufacturer should be strictly liable, including the development risk, is not only a matter of fairness. It is also the best method of keeping the manufacturers on their toes, in the knowledge that they will be unable to hide behind the highly debatable concept of "state of the art."

However, there is also another aspect of this problem. Tha combination of impressionable juries and of attorneys who financed the litigation on the expectation of a hefty share in the award drove the US product liability awards sky high. At least one major enterprise had to apply for protection under the US insolvency law and many more had to give up certain products because the insurance premiums were too high. For this reason, the EEC Product *Liability* Directive provides the possibility of setting an upper limit to the awards, though not lower than Ecu 70m — about £41m.

The option is likely to be taken up by Germany, Denmark and possibly the Republic of Ireland, but the British Government decided against it, considering the proposed clause *too difficult* to interpret and the limit too high to be of practical importance. This decision ought to be reconsidered. As awards are increasing, the limit may soon not appear too high. Also, by taking out insurance policies on an industry basis, the insurance burden of small companies could he alleviated, letting the large research-based companies shoulder a greater share. But above all, the development risk defence must be removed from the bill if it is to provide a real protection for the unavoidable victims of progress.

NIGERIA'S ECONOMY

A radical plan, but the risks are high

By Michael Holman, Africa Editor

OUTSIDE THE Bristol Hotel, just off bustling Broad Street in the commercial heart of Lagos, stands a group of robed traders whose assessment of the Nigerian Government's economic performance is probably as perceptive as that of the country's anxious international creditors.

Their business is the currency black market. They attract the attention of potential customers with a hiss that cuts through the cacophony of taxi horns, followed by a quickfire recitation of the street rate for major foreign currencies.

Until recently this was four to five times the official exchange rate. But now the Bristol Hotel traders face tough competition from the Government. In September it launched a weekly hard currency auction, the centrepiece of what one leading aid donor has described as "the most radical and far-reaching reform programme in Africa."

The result has been a massive effective devaluation of Nigeria's currency, the naira, a move which Western economists have long argued was essential to the recovery of the severely depressed Nigerian economy.

For years their counsel fell on deaf ears in Lagos, where successive civilian and military governments have recoiled at the thought of the potential political risks of economic reform. But now the military régime of President Ibrahim Babangida has decided to bite the bullet. Africa's last significant bastion of resistance to the conventional economic wisdom of the West has been won over.

Most local and foreign businessmen agree that the package of measures now in place—which includes the virtual abolition of import licences and of many price controls and subsidies—represents a watershed in Nigeria's economic management. Where they disagree is over the prospects for recovery of an economy which has seen oil earnings plummet to a forecast $6.5bn this year from a peak of $25bn in the early 1980s—and which has no foreseeable alternative to continued heavy dependence on oil.

For all concerned—the Government itself and Western creditors who are owed some $22bn—the stakes are high.

"The future of this Government may depend on Nigerians being convinced that there is at last light at the end of the tunnel," warns a leading industrialist. Should the reforms fail to relieve the economic depression—marked by factories running at a quarter of capacity, sharply rising unemployment and falling living standards—there may well be officers in the barracks who feel they could do better. For Nigeria's trading partners (of whom Britain is the largest) it would mean the further decline of their most important market in black Africa.

Failure could also seriously weaken the status and influence in Africa of two of the West's most influential financial institutions — the International Monetary Fund (IMF) and the World Bank, whose officials have played a key advisory role to the Nigerian Goverment.

President Babangida's blueprint for recovery leaves no sector of the economy untouched.

Imports of rice (which reached nearly 600,000 tons in 1981) have been banned and wheat imports will end next year, giving a boost to local food crops. The six State-controlled commodity boards, blamed in part for low agricultural output, will be wound up by the end of the year and their produce buying role taken over by local traders. The country's 100 or so state-owned enterprises, generally overstaffed loss-makers, are coming under scrutiny in what could become black Africa's largest privatisation scheme. Major capital projects, such as the multi-billion dollar Ajaokuta steel project, are being reassessed by a joint Government and World Bank team. Non-oil exporters (who earn barely 5 per cent of export receipts) are to be allowed to retain 25 per cent of their foreign earnings as an incentive.

In one respect, the strategy has already achieved an important objective. It has gained the explicit endorsement of the IMF, which has declared Nigeria eligible for an SDR 650m ($540m) stand-by loan — although President Babangida, under heavy domestic pressure, has said the loan will not be drawn down. As a result of the Fund's imprimatur, the longstanding deadlock in efforts to reschedule Nigeria's $22bn external debt appears to have been broken.

Complex talks lie ahead, involving commercial banks, Government creditors and trade creditors. But with the Fund's backing Nigeria already has made progress on the rescheduling of an estimated $7bn medium- and long-term commercial bank debt, secured agreement in principle for a new $320m commercial bank loan, and obtained a $250m bridging loan organised by the Bank of England.

The Bank of England's role in securing this loan reflects the fact that Nigeria's trading partners, who in the past have been deeply sceptical about its capacity to tackle the economic crisis, now acknowledge that the Babangida Government is making a serious effort and deserves support.

From the IMF and the World Bank also has come a remarkable endorsement of the Government's efforts. They have urged creditors to take a sympathetic stand: commercial bankers discussing Nigeria's rescheduling request in London in September were pressed to avoid prejudicing "a major turning point in Nigeria's economic policy" by making their terms too harsh. Such a policy, according to a Fund statement circulated at the meeting, risked "jeopardising the very substantial progress Nigeria has made in recent months." The World Bank itself will be providing $450m in backing for the programme, in addition to $4.3bn in finance for specific projects over the next three years.

If the rescheduling proceeds successfully, Nigeria's trading partners are expected to resume normal export credit guarantee cover—suspended since 1984 because of mounting arrears in trade payments—in the early part of 1987.

First, however, there will have to be considerably more progress towards settling the arrears. Traders' claims amount to nearly $10bn but government has issued promissory notes to repay only around $1.5bn so far.

There are major potential stumbling blocks ahead for President Babangida. The first is broadly political. As one prominent businessman put it, "the Government is voluntarily surrendering one of the most lucrative areas of patronage used by its predecessors—the import licence."

In the past an import licence, granted by Government Ministries meant an automatic foreign exchange allocation. The substantial overvaluation of the naira made the import licence an easy route to quick profits—goods imported under licence at the artificially depressed exchange rate could be sold at several times the price on the black market. Licences are now to be a formality and foreign currency to back them is paid for at a much more realistic rate. There will be many importers, who have seen their windfall profits wiped out by the new system, and politicians and civil servants, who used to profit handsomely from the competition for licences, who will resent the introduction of the new system.

The auction will also have a serious impact on Nigeria's comparatively small but influential middle class—which includes army officers. "What we used to take for granted," said one young businessman, "were cheap travel to Europe and the US, access to medical and educational facilities abroad, colour TV sets and a new car each year. The devaluation has put these out of reach for most of us."

Quite apart from the threat of resistance from vested interests, numerous other obstacles remain. The outlook for the price of oil, which accounts for over 90 per cent of export earnings, remains uncertain. The Government is forecasting an oil price of around $13 per barrel and exports of about 1.3m barrels per day (b/d) next year.

On this basis the Government calculates that it can cover a projected external financing gap of $4.23bn, with a combination of debt relief (which would reduce the gap to $1.15bn), additional commercial borrowing and increased cover from export credit agencies. It is a finely balanced calculation, however, and some economists believe that it is based on too optimistic an assessment.

Another fundamental factor which could affect the recovery strategy is the weather. Good harvests in 1985 and 1986 have produced bumper crops of basic foodstuffs, which has kept market prices reasonable and cushioned the impact of the austerity measures. Poor rains next year would boost living costs with inevitable consequences for the Government's popularity.

A further area of major concern involves the functioning of the currency auction. Conducted by the Central Bank, which takes bids from nearly 40 commercial banks for the available foreign exchange (this has varied from $50m to $80m per week), the auction determines the value of the naira for all transactions except the servicing of Government's external debt.

Last week the rate of N3.52 to the dollar was nearly doubled by Bristol Hotel traders, suggesting that the auction has yet to set a realistic value for the currency.

The business community and the donors are also concerned over whether successful applicants for foreign exchange will put it to good use.

The danger that the auction may boost inflation—already unofficially estimated at over 30 per cent—is also a source of worry.

It is a formidable list. But underlying all these questions is a fundamental concern: Does the Government have the capacity to implement a programme of this scope effectively? The federal civil service is demoralised, inefficient and less than enthusiastic about a system which curtails many of its powers of patronage.

Hopes that Nigeria can overcome these problems are pinned largely on the ability of President Babangida, who came to power in a bloodless coup in August 1985, to convince his fellow Nigerians that there is no alternative to reform.

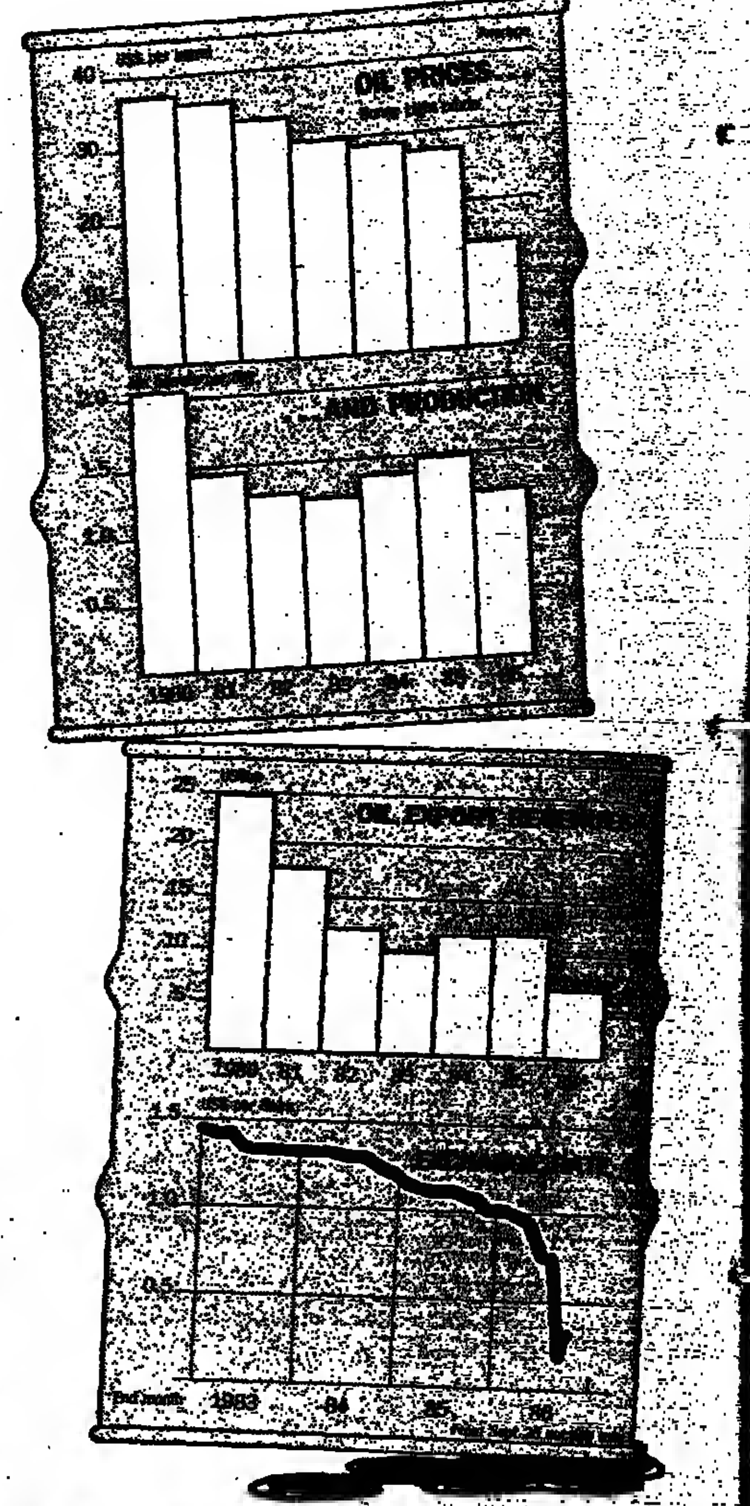
By the end of last year the crisis had seemed well nigh insoluble. The President's decision to throw open the question of co-operation with the IMF to a national debate produced bitter denunciations of the Fund, together with the message that the nation would rather tighten its collective belt than go to the IMF for assistance.

In the event, President Babangida seems to have turned the debate to his advantage. He has convinced Nigerians that if they wish to turn down IMF resources and "go it alone" they must be prepared to accept tough measures.

But whether the combination of economic reforms and fresh financial backing expected from the country's trading partners and major donors can produce the economic recovery which Nigerians will expect remains to be proved.

Some five years have elapsed since it first became apparent that the country was in serious difficulties; the decline in the intervening years has been precipitous. Nor, for the most part, is there a sound economic base on which to build. The country must remain dependent on oil exports for the foreseeable future, and diversification of exports is likely to be slow. The fruits of the oil boom years were largely squandered on prestige projects which today are burdens rather than assets—the Ajaokuta project is destined to be a drain on foreign currency into the next century. And many economists would argue the scale of the new resources proposed is simply dwarfed by the magnitude of the country's problems.

An entire generation of young Nigerians is reaching maturity with little hope of a job in the formal sector; yet Africa's most populous country continues to grow at the rate of 3 per cent a year. Five coups d'etat and an assassination in 20 years have highlighted the fragility of a political system which struggles to unite 100m people of immense ethnic diversity. "The reform process has only begun," says one veteran observer. "These are the factors which could well determine whether progress is to continue."



Sources: London Oil Reports/Petroleum Intelligence Weekly, IMF/Bank of America.

Men and Matters

Perelman on the prowl

If you had to invent the perfect US corporate raider, you could do a lot worse than pick 43-year-old Ronald Perelman as a model. Over the last week, he has left Wall Street both dazzled and seething as he has unveiled one deal after another, culminating in his staggering $4bn bid for Gillette, the razor and consumer products giant.

Eight years ago, Perelman was running his family's metal fabricating business in Philadelphia. Since then he has been buying and selling companies, peeling off marginal *operations* and borrowing heavily to finance even bigger conquests. In 1979, he persuaded Cohen-Hatfield Industries, a jewellery distributor, to buy MacAndrews and Forbes, a maker of liquorice and chocolates, *and has never* looked back.

MacAndrews and Forbes went on to buy a whole string of other companies, including Technicolor, Consolidated Cigar Corporation, Video Corporation and Pantry Pride, a Florida supermarket chain, which had emerged from bankruptcy in 1981.

This last acquisition catapulted Perelman into the big time. He stripped it of its supermarkets and used it as his corporate shell to issue some $700m of "junk bonds" which enabled him to start hunting *alongside such major corporate* raiders as Sir James Goldsmith, Carl Icahn and T. Boone Pickens.

When Wall Street first heard that Perelman hed set his sights on Revlon, the cosmetics giant, few took him seriously. But he persevered and last year won control after a bitter $1.8bn takeover battle. Since then Perelman has sold off large parts of Revlon, amassed a war chest of $1.4bn and has been on the prowl again.

His rise to prominence as a corporate raider has been greatly helped by Drexel Burnham Lambert, the New York *investment* bank, which raised the finance for the Revlon bid, and has promised to raise $3.9bn for the Gillette bid. Indeed, some Wall Street investors describe Perelman as one of "Drexel's creatures."

His success has given him entry into the Hollywood and New York jet set although his public appearances are so rare that he even failed to turn up at the last annual meeting of Revlon, where he is the chairman.

Chinese walls

Lion dancing, fireworks and Chinese delicacies will mark the formal opening of the Halifax Building Society's newest agency on November 30. The reason? Its location: Frith Street, a short walk from London's Soho fleshpots, in the heart of Chinatown.

The brain behind bringing the Halifax to Chinetown is John Man, a 30-year-old Briton of Chinese extraction. His *financial* services company, Homeline Enterprises, which already sells insurance products will offer Halifax mortgages and savings accounts from a building which also houses a Chinese dentist.

Speakers of Cantonese are likely to be attracted by literature printed in Cantonese as well as English and the bilingual staff. The new Halifax will also be open on Sundays, when the Chinese apparently like to do their financial shopping.

Man hopes that by educating the Chinese community about building societies he will expand its horizons and convince it that "careers need not be centred around catering and restaurant work." If all goes well, he plans to take the Halifax into other Chinese community about building societies be will expand its horizons and convince it that "careers need not be centred around catering and restaurant work." If all goes well, he plans to take the Halifax into other Chinese communities in Birmingham, Edinburgh, Manchester, Glasgow and Belfast.

Euro-cover

Bernard Attali, aged 43, who until July was chairman of the Groupe des Assurances Nationales (GAN), the third-largest of the French state-owned insurance groups, is the latest recruit among French technocrats to a foreign firm.

He has joined Commercial Union, the British insurance group, as its European adviser, and will also take up a senior role with its French subsidiaries.

The move comes at a moment when the French insurance world is undergoing rapid change, and with Commercial Union is strengthening its French activities.

Two years ago it acquired Epargne de France, a life insurance company, and more recently it has turned its French fire and general accidents subsidiary into a fully-fledged company.

Both measures were taken in anticipation of greater competition in the French insurance market with the privatisation of the three main groups, and the steady removal of restrictions in insurance business among EEC members.

Attali has been in one sense a victim of the privatisation process. Appointed head of the GAN under a socialist government, he lost his job when Jacques Chirac's administration decided to seek e fresh face to conduct the group's denationalisation.

A shy, retiring man with experience in both the French public and private sectors, Attali has long been linked to the socialist cause — in part because his twin brother is President Mitterrand's economic adviser.

While at the GAN he was one of those who warned of the *potential upheavals* in the French insurance world, and the need for French firms to seek a European dimension. He regards his new appointment as part of a new trend that will increasingly lead to cross-border jobs in Europe.

Attali was educated at the Ecole Nationale d'Administration, whose former head, Simon Nora, has also gone to work for an American investment bank.

Attali has also been chief financial officer of the Club Mediterranee, and head of France's regional planning agency, DATAR.

Heads up

Headhunter Somerset Gibbs, chairman of Directorship Appointments, secured some *notable scalps recently for* stockbroker Smith New Court Agency. He recruited the electricals team from Scrimgeour Vickers and the Far East team from de Zoete and Bevan.

Which must have mightily impressed Smith New Court chairman, Tony Lewis—for he has now head-hunted Gibbs, himself, to be chief executive of the company's stockbroking arm.

Gibbs, once with Capel-Cure Myers, will continue as non-executive chairman of Directorship Appointments.

Poverty line

Who said beggars can't be choosers? In Sokoto, northern Nigeria, beggars have decided to reject small coins from almsgivers as a protest against devaluation.

The Nigerian Daily Times quoted a spokesman of the Sokoto State Destitutes Association as saying the decision to refuse the 10 kobo (2.7 US cents) coin was taken at an emergency meeting.

Train of thought

At John Menzies bookstall, Bristol Temple Meads station, the new British Rail timetable is prominently displayed in the Humour section.

Observer

Letters to the Editor

Design sector dilemma

From Mr B. Key

Sir,—It is easy to see how Feona McEwan (November 12) can misunderstand the dilemma facing the design sector at the current time.

The fact is the time could not be better for design companies, particularly those who are able to work with British managers in improving performance, image and particularly quality.

The key problem has of course been the merger and acquisitions mania of the past 6 months, this has posed design managers with the type of strategic and managerial problems that they have never had to deal with before. Sadly in the main these skills are not over evident in most design businesses.

What will happen now is not just that proper management will be enforced, but also that the demands for future growth increase substantially.

British management will begin to turn on the major benefits to be gained by working with creative input from the design houses, the good news yet to come is that the design industry is not unaware of the potential, and skills are being rapidly developed among the designers to enable them to relate to managers in industry, with the kind of professionalism not evident three years ago. In fact, designers increasingly speak the language of management, profit and process.

The recent CBI conference yet again demonstrated that one of the few bright hopes for British industry was the harnessing of creative and innovative talent by managers. When the synergy gets going the potential for the design sector is enormous.

Brian Key,
Business Design Group.
Broad Quay House,
Broad Quay, Bristol.

Personalities in business

From Mr W. Reader

Sir,—Geoffrey Owen (November 14), commenting in the Lombard column on Professor Coleman's recent lecture on "the uses and abuses of business history," remarks "a sharper historical focus on the people who ran these (pharmaceutical and machine tool) companies... might yield conclusions of more than academic interest."

The study of personality is central to the whole matter. Those who found and run great businesses—men of the stature of the first Lord Leverhulme, Sir Francis D'Arcy Cooper, Sir Eric Bowater, Sir Maxwell Joseph — are powerful, complex, colourful characters. Their motives are seldom as simple as the maximisation of profits and their businesses are personal creations. "Every great man," one of Sir Eric Bowater's successors said to me, with some degree of oratorical licence, "wants either to own a newspaper or to run a shipping line." What he had in mind was that in the 1950s the ships of the Bowater Steamship Company put to sea. The commercial reasoning behind them was weak, but Sir Eric's will was strong.

There is, I think, sufficient material available now, in company histories and the Dictionary of Business Biography, to draw certain general conclusions. Founders, for instance, all too often leave huge problems for those who come after them, as Leverhulme did for D'Arcy Cooper, caused by their refusal or inability to train successors.

Conclusions of this sort are unlikely to be statistically measurable. They are not for that reason unsound. Historical writing is a branch of imaginative literature founded on a scrupulous regard for evidence. In the exploration of human character the historian and the novelist have a good deal in common. Both need to get under the skin of the characters they deal with.

W. J. Reader,
46 Gough Way,
Cambridge.

Sweeping the streets

From the Area Officer,
London Division,
National Union of
Public Employees

Sir,—On behalf of the National Union of Public Employees I would like to comment on the article by Richard Evans which appeared on November 12. It concerned the Government's plans to introduce legal compulsion to tender out basic council services such as refuse collection and street cleansing.

The article emphasises the savings that Wandsworth Council has made as a result of adopting a wide-ranging policy of competitive tendering. What the council calls savings are, in fact, considerable cuts in expenditure on services. It gives the impression that cuts in spending are something to be admired in themselves. This is not the case unless, of course, you are the type of Conservative that is ideologically opposed to public expenditure per se. The main issue is surely value for money and to get a view of this in Wandsworth it is necessary to look at what level of service ratepayers receive for the reduced spending by the council.

Unfortunately, there has been a close association between cheap contractors and a poor service. Take the example of streetsweeping. The contract was in the hands of Pritchard up to approximately a month before Richard Evans wrote his article. It had held the contract for four years. The council had been reluctant to admit that the company could not cope despite high levels of complaints and fines imposed on it. The ratepayers in Wandsworth have suffered dirty streets and have been unable to improve matters due to lack of control on the contractor. Experience such as this is why less ideological Conservative boroughs have not enthusiastically embraced the use of contractors. Only two of the 32 London boroughs have privatised their refuse collection service. This is not due to lethargy or wish not to antagonise but simply because they believe that value for money lies with a reliable direct labour service which they can control and improve through negotiation with their own employees. The fact that the Government is now attempting to force Conservative councils like Harrow, Barnet and Westminster to use contractors is a measure of the failure of companies involved to live up to the ideological beliefs of Mrs Thatcher and Mr Ridley that private enterprise is automatically more efficient than publicly provided services. In practice just the reverse appears to be the case.

Ian Scott,
273 The Vale, W3.

Weighty matter junked

From the General Manager,
Diamant Boart (UK).

Sir,—For the twelve months ending October 31, 1986, all unsolicited mail received by the undersigned was saved and weighed out at a total of 22.825 kilos.

Given that I am the general manager of a company with an annual turnover of approximately £7.5m, I would be interested to know where I figure on the "unsolicited mail scale."

More importantly, I question the value of unsolicited mail, given that my 22.825 kilos has ended up in the bin.

Loch McJannett,
First Floor,
British Brown Boveri Building,
Hareness Road,
Altens Industrial Estate,
Aberdeen.

Possibly 9m shareholders

From the chairman,
Trebor Group

Sir,—Some of the facts about British companies and share ownership do not seem well understood.

There are towards 5,000 companies quoted on British Stock Exchanges. Many of them suffer from market analysts' and fund managers' vagaries and people they don't like trying to take them over.

There are about 1.5m British companies not quoted on British Stock Exchanges. It is unlikely that they will have less than half a dozen shareholders each, so there may be 9m British shareholders already.

It does seem that some quoted companies could greatly reduce some of the uncertainty of the future by becoming unquoted.

It could also be that a radical rethink by the City over financing unquoted companies is due well before 2010.

John Marks.
Trebor House,
Woodford Green, Essex.

Molotov cocktails

From Mr C. Guest

Sir,—Your obituary on Vyacheslav Molotov (November 11) implies that the term "Molotov cocktail" originated with the Hungarian freedom fighters in 1956.

The "Molotov cocktail" was, in fact, invented and christened by the Finns in the Winter War of 1939-40. The device consisted of a bottle filled with an inflamatory mixture. The means of delivery was a daredevil on skis, who slipped alongside a Soviet tank and threw the cocktail into the turret.

When the Soviet Union launched its first bombing raids on Helsinki in 1939, Soviet radio dismissed Finnish reports of these air raids as fabrications stating that the Russian Air Force had merely dropped bread to the starving masses of Helsinki. Thereafter, the Finns referred to Soviet bombs as "Molotov's bread-baskets."

C. S. Guest.
30 Longmead Ave,
Horfield, Bristol.

Fossil fuel prices

From Mr P. Watts

Sir,—In commenting on my letter, Professor Odell (November 11) says I misrepresent the Central Electricity Generating Board's views on coal and oil prices as presented to the Sizewell inquiry. He also alleges I was using privileged information not subjected to public scrutiny when I claim that Sizewell B was shown to be economic at very low fossil fuel prices.

On both counts he is incorrect. The only reference in my letter to the Board's evidence existence was that it signalled significant changes in fossil fuel markets. The Board's witness did this in July 1984.

As regards low fossil fuel prices the evidence on which I rely is in calculations by the independent Cambridge Energy Research Group. These were not privileged information: they were not based on Board forecasts, they were issued by the inquiry secretariat in November 1984 and they were subsequently scrutinised by the inquiry.

P. E. Watts
(Economic Adviser),
CEGB.
15 Newgate St, EC1

Defining local content

From the Director-General,
Electronic Components
Industry Federation

Sir,—In his well-informed and balanced article on inward investment (Nov 10) Guy de Jonquieres mentions the matter of local content, and quotes target percentages. At least as important as the actual figure is the definition of local content: for example if the percentage is applied to the final selling price of the product, then profit, distribution costs, packaging, translation and printing of instruction literature, and labour, may all get included as local content.

That is why ECIF has adopted the position that 90 per cent by value of the material and component content of the product should be locally sourced.

I wonder incidentally whether when Ms Bougenaux of Datar said that "everybody tells lies" she included Datar itself; if so, does this not lend support to the belief that our European partners play by different rules (or even a different game) to the British?

Richard H. W. Bullock,
7-8 Savile Row W1.

Scotch in small bottles

From Mr R. Collingsworth

Sir,—Mr Wormstone's letter (November 12) leaves one very pertinent question unanswered —will the Scotch Whisky Association have enough "clout" to ensure that when the bottle size is reduced by some 7 per cent, the price to the consumer will be similarly reduced (excluding taxes, of course) and not encapsulated in higher profit margins?

Roy Collingsworth,
Poplars,
Foxley Drive,
Bishop's Stortford, Herts.

The working week

From Lindsay Pritchard

Sir, — I notice the current pay negotiations for teachers are discussing annual hours of 1300 (employers) or 1150 (teachers). This represents a maximum 25 hour working week on average. Allowing for holidays and bank holidays the average office worker will work about 33 hours per week. That is, teachers work about 75 per cent of the working time of other professionals. I am not allowing for extra-curricular work — but I am sure that most people in business work far more than their contractual hours. If this is the case then teachers' salaries do not seem so uncompetitive.

Incidentally, why is it necessary to keep schools closed for up to 12 weeks a year? All those expensive resources lying idle. In fact teaching only goes on for about 15 per cent of the time (1300 hours out of a possible 8760 per annum). Can we afford this?

Lindsay Pritchard.
Fairfield, Townfield Lane,
Mollington, Chester

Voting on changes at the Stock Exchange

From Mr H. Marsden

Sir,—May I take the opportunity to thank all those who supported our initiative in voting against the Stock Exchange proposals. I would like to point out that the total out-turn of 72 per cent of the membership to vote on such an important matter is disappointingly low. The conclusion might be that the council failed to convince a large number of members to vote for its case. I would equally point out that it did gain 60 per cent of the total membership and that in itself is a majority in democratic terms.

I think it is important however as I have stressed throughout that there shond be as much consensus in the new larger Stock Exchange. As the chairman has rightly stressed the health of the whole is dependent upon the health of the constituent parts. The council should note that 19.5 per cent of the votes were cast against the proposals.

It should also be noted that the proposals were put forward at a time of great change with Big Bang. The minimum notice only was given. It was not our intention to tour the country and marshall support in outlying areas as the council did. I would even go as far as to suggest that if the council had not worked as hard it would as likely have failed to attain the necessary 75 per cent.

I feel justified in suggesting that the new council and members of ISRO should take note of this substantial minority, which may indeed be larger than represented by the voting. I would hope that due recognition will be given in council representation and action accepting the evidence of this minority of individual members. The small London firms might now have representation as do provincial firms.

Recent events have indeed proven the necessity of strong surveillance and standards which the London Stock Exchange has represented to the highest degree. Fragmentation of our main market may have temporarily been avoided but avoidance of fragmentation of our membership internally is also as necessary.

I would hope that importance will still be given to maintaining membership as something special. It should command respect and prestige, if it is to be worth having. Indeed without this we will not attract the right sort of membership to maintain the high standards of the past.

We may be a minority but we are still very much present and we no doubt represent a considerable number of private shareholders who are just the sort of users of our market which the Government wants to encourage. Indeed I have always felt that we also need to encourage them if we are to provide a counter to the market volatility recently seen here and in America by the use of computer trading and the crowd like behaviour of larger fund managers. The smaller investor is more likely to appreciate the personal contact of the individual broker, his experience and knowledge of the market which is conferred by his status rather than dealing with a clerk in a larger organisation as so often happens through lack of alternatives.

Hugh Marsden,
29 Abbotsbury Road W14.

Britain's museums

An admission of 'freedom'

By Antony Thorncroft

ONCE EVERY fortnight, somewhere in the UK a new museum opens its doors to the public. By the end of this year there will be 2,000 museums, the great majority privately funded, pandering to the national obsession with the past, compared with 900 in 1963. In all there are over 65m museum visits a year, well above attendances at football matches.

As Mr Brian Morris, chairman of the Museums and Galleries Commission, asserts: "There is overwhelming evidence of the importance which British society places on its heritage and art": only to add: "it is an enthusiasm not shared by the Government."

For museums, along with the arts generally, remain one sector which has been overlooked in the Government's discovery of the joys of higher public expenditure. Yesterday the Minister for the Arts, Mr Richard Luce, announced an increase in the museum budget for 1977-88 of 3.75 per cent. For the directors and trustees of the 23 major national and regional museums and art galleries dependent on Government aid, this will mean another round of agonised economies, deferred plans and re-consideration of that most explosive of topics, admission charges.

MUSEUM ATTENDANCES 1985	Number of visitors
British Museum, London	3,822,277
National Gallery, London	3,158,725
Science Museum, London	2,723,947
Natural History Museum, London	2,641,806
Jewel House, Tower of London	1,730,185
Victoria & Albert Museum, London	1,654,052
National Railway Museum, York	1,111,690
Burrell Collection, Glasgow	1,088,951
Tate Gallery, London	990,105
Jorvik Viking Centre, York	887,290

Source: British Tourist Authority/English Tourist Board Research Services.

The problem for the museums is epitomised by the experiences of the Natural History Museum, one of the most popular in the country with total annual admissions of around 2.6m last year. From April the museum will be introducing a £2 admission charge for adults with the aim of raising £1.2m a year. Even if it is successful it will still not have closed the projected gap in its funding for 1987-88 of £1.5m.

This gap has been caused by a succession of inadequate Government grants. For the current year the museum is receiving £12.9m in revenue, 88 per cent of it state subsidy. This sum largely covers staff salaries, which account for over 80 per cent of the museum's running costs. But the Treasury fixed the museum's grant on the understanding that salaries in the current year should not rise by more than 3 per cent. Under nationally negotiated agreements salaries were increased by 8 per cent, leaving the museum with the task of finding the extra cash. In the past it has shed staff, postponed planned exhibitions; and kept galleries dark. It now sees admission charges as its only hope: the alternative is large-scale redundancies.

The director, Dr Ron Hedley, is resigned to a 40 per cent fall in attendances following the introduction of admission charges, although he hopes that in time they will recover. He has no enthusiasm for the innovation but, given the museum's tremendous research, and curatorial responsibilities (it is home to 65m objects, more than any other museum) he cannot contemplate more staff cuts.

By going for a fixed charge, with exceptions for school parties and so forth, the Natural History Museum hopes to avoid the confusion, and the bad press, that accompanied the decision of its neighbour, the V and A, to introduce a voluntary charge last November. This has proved something of a disappointment, bringing in just over £400,000 in its first year, as against a planned £500,000, and with almost half the revenue eaten up in costs.

The scheme will generate more income in 1987, and enable the V & A to open on Fridays for the first time in a decade, but it reduced attendances by 40 per cent and caused much ill will.

Admission charges have split the national museums down the middle. They were pioneered by the National Maritime Museum at Greenwich which raised over £400,000 in revenue last year this way and has almost recouped its "lost" attendances. It was followed by the Imperial War Museum, which is using its admission charge to prove to potential benefactors that it is doing its bid to raise the £9m it needs for a building extension.

But the National Gallery is absolutely opposed to charges, as is, less fervently, the British Museum. The Science Museum is wavering. All the museums know that the Government, if not pushing them into charging, is keen that they should increase the revenue they generate themselves, and thus become no greater burden on the public purse. To this end Mr Luce earlier this year "liberated" the museums, allowing them to keep any income they earned from their shops, restaurants, etc. In the past it was deducted from their next year's grant.

The museums are happy that they will no longer be penalised for showing enterprise (at least for the next three years, after which the Government will be reviewing the situation), but are well aware that the price to be paid is less subsidy. Already purchase grants have been cut drastically, causing Hriat Morris to comment: "Collections must grow, otherwise they lose their life-blood."

The Minister's answer to the complaints of the museum is "improve your marketing." He points to museums in the US where, on average, admission charges account for only 5 per cent of revenue but shops provide 9 per cent and restaurants, parking facilities and so on another 10 per cent. In the UK the Natural History Museum and the National Portrait Gallery earn over 10 per cent of their revenue, but other museums are only slowly starting to overhaul their catering services and their shops: next year the V & A will be selling replicas of its treasures in its enlarged shop.

Mr Luce also points to the opportunities for museums to raise sponsorship money. The British Museum has been successful here, and currently has a major exhibition on the history of money, sponsored by Nationwide Building Society: the Museum of London was recently home to a Boots No 7 cosmetics promotion, built around the "Let's face it" exhibition: and the V and A has persuaded a string of companies to assist in its revamping — last week the mediaeval treasury gallery was refurbished with THF money; next month Toshiba is paying for a better Japanese display; and in the summer the courtyard will bloom again, thanks to Pirelli.

Many directors of museums are ill-suited by background and temperament to become salesmen for their institutions — they also begrudge the time. But that seems to be their future. The Government is adamant that it cannot increase its subsidy.

The big national museums, with their influential trustees, can often tap alternative sources of revenue. The National Gallery is getting a new extension thanks to the Sainsbury family, and has a planned £50m purchasing foundation thanks to J. Paul Getty Jr. The Tate will soon be opening its Turner Gallery, a gift of the Clore Foundation.

But less glamorous institutions, and especially local and university museums, face a very bleak future. They will become "museums," locked in the past, shoring up crumbling and unrefreshed collections, with no facilities for research, exhibitions or purchases, unless they can change the Government's mind — or discover marketing skills.

FINANCIAL TIMES

Tuesday November 18 1986

FOREIGN BANK MOVES WORRY PALESTINIANS

Financiers look to West Bank

BY ANDREW WHITLEY IN JERUSALEM

THE rudimentary financial system operating in the Israeli-occupied West Bank for nearly two decades could shortly be transformed by the return of several, competing foreign banks.

The discreet opening earlier this month of a Palestinian-owned bank branch in Nablus has awakened interest from other foreign-owned banks currently holding talks with Israel and Jordan.

If these are successful, the move to supplement the existing system based on money-changers could have far-reaching implications for the region as it would implicitly recognise the status quo in the occupied territories.

Grindlays, the British clearing bank, recently held discussions with the Jordanian authorities on behalf of its subsidiary, the old Ottoman Bank. The Egyptian government-owned Arab Aquari Bank, which specialises in land and property financing, is also known to have approached Israel on the same subject.

Both are following in the footsteps of the Cairo-Amman Bank. Just weeks after its low key reopening in Nablus, this small bank, headquartered in Amman, is now actively preparing to extend its network to three other West Bank towns – Hebron, Ramallah and Bethlehem – where it operated prior to the July 1967 war.

The region's lack of credit and proper banking facilities, apart from those Israeli bank branches serving Jewish settlers, is regarded as having been an important element in its sad decline of recent years.

On the other hand, what is sure to concern many of the West Bank's 800,000 Palestinians are the political implications of this development which could not have been begun without the unofficial blessing of Amman.

One Western diplomat said: "What worries the Palestinians is the feeling that what Jordan is doing is accepting that the political status quo will remain for the foreseeable future, with the King acquiescing in the lack of momentum in the peace process".

The breakthrough which paved the way for the Cairo-Amman Bank to reopen in fact resulted from a secret agreement, signed in London, between the Jordanian and Israeli central banks, providing for dual supervision of the Palestinian bank's activities in the West Bank.

One serious sticking point, however, which could still jeopardise a wider spread of full banking services, concerns the status of eastern Jerusalem, formally annexed to Israel after the 1967 war. The annexation has never been given general international recognition.

Insisting that they use the Israeli banking system, the Israeli authorities are refusing to allow Arab residents of east Jerusalem to use the Cairo-Amman Bank in Nablus. And the same considerations are likely to prevent the reopening of closed foreign bank branches in the Arab side of the city, at least as part of West Bank networks.

The British Bank of the Middle East, now a subsidiary of Standard Chartered, used to have two branches in east Jerusalem. But neither of these, nor the Jerusalem branch of the Ottoman Bank, appear likely to be reopening their doors in the near future.

British Airways' £141m first-half

By Michael Donne, Aerospace Correspondent, in London

BRITISH AIRWAYS, the state-owned airline which is due to be privatised early in the new year, earned a pre-tax profit of £141m ($200m) in the first six months of the current financial year, despite the downturn in traffic in the early summer due to fears of terrorism in Europe.

The profit compared with pre-tax profits of £201m in the first six months of 1985-86, and of £195m for the full 1985-86 financial year ended last March 31.

Lord King, chairman, said yesterday that the traffic recovery of recent weeks was continuing, and he hoped there would be a profit for the winter months. A forecast for the year as a whole would appear in the prospectus, due early in the new year.

Lord King made it clear that the airline had moved swiftly to reverse the impact of the early summer disasters, which included not only the fears of terrorism in Western Europe which hit North Atlantic traffic hard, but also the Soviet nuclear power station disaster at Chernobyl which also had a deterrent effect.

In the three months to end-June, passenger totals fell 5.8 per cent overall, and by as much as 19.8 per cent on the North Atlantic, indicating the strength of US travellers' fears of what was happening in Western Europe.

"We judged that the fall in demand had been irrational," said Lord King. "We deliberately decided not to reduce capacity except marginally. Instead, we set about restoring market confidence."

The marketing campaigns, "Go For It, America" and "Concorde Challenge" led the way, "and, I think, led our competitors."

As a result by the end of June, passenger traffic across the entire network was only 2.8 per cent down on the corresponding period of last year, although North Atlantic traffic was still down 12.9 per cent.

Subsequently, the improvement has continued. The airline's operating surplus in the first three months of the year, £38m against £90m a year earlier, rose in the second quarter to £113m, against £115m a year earlier, a total of £151m against £205m a year ago.

The airline was helped by a substantial fall in fuel prices, amounting to about £100m, but this was offset by rises in other costs.

The airline has now signed contracts with a syndicate of banks for its order for 16 Boeing 747-400 jets, covering operating leases for a period of 18 years, with break-points at five and nine years.

The banks involved are National Westminster, Barclays, Midland, Citicorp and Mitsubishi.

Britain gives cool response to Argentina's Falklands initiative

BY TIM COONE IN BUENOS AIRES AND DAVID BUCHAN IN LONDON

ARGENTINA has for the first time proposed a formal cessation of hostilities over the Falkland Islands, in exchange for Britain dropping its 150-mile military "protection zone" around the disputed islands.

But the immediate UK Government reaction to the Argentine initiative, delivered via the Brazilian embassy to the Foreign Office yesterday, was cool on the ground that it implicitly raised again the issue of sovereignty over the islands.

By its latest move, Argentina is no longer explicitly stating that negotiations over sovereignty – which Prime Minister Margaret Thatcher has repeatedly rejected – are a precondition for a formal end to hostilities, which Buenos Aires has not renounced since the 1982 war.

But the Argentine initiative calls for, as a first step, a start to "global negotiations on the basis of the United Nations General Assembly resolution 40/21." UK officials pointed out Britain has consistently opposed this resolution which calls for discussion of "all aspects" of the Falklands dispute, because it sees this general wording as covering sovereignty. The UK view is that Buenos Aires should not tie the ending of the formal state of hostilities to the sovereignty issue.

The Argentine initiative appeared to coincide with President Raul Alfonsin's meeting yesterday with President Reagan and to UN discussion next week of the Falklands issue. It seems to reflect the more flexible two-tier approach first aired informally by the Argentine Government in 1984, and contrasts with the more hardline approach to sovereignty favoured by sectors of the armed forces.

The principle points of the initiative are:

● To begin global negotiations on the basis of the UN General Assembly resolution 40/21.

● To begin an "open dialogue" with the UK as a preparatory step to such negotiations, which would create confidence building and establish a timetable for negotiations.

● To facilitate the start of negotiations through a declaration which at the right moment would establish a formal end to hostilities as part of a process of eliminating the consequences of the conflict and should put an end to the so-called 150 mile military protection zone.

● To resolve all outstanding problems with the UK including diplomatic relations, trade, transport and communications and fisheries conservation on the basis of the UN resolution 40/21 and with the Assistance of the Secretary General of the UN.

● To analyse both within the initial talks and subsequent negotiations all the possible formulas for a solution to the conflict which contemplates in particular the creation of confidence building measures for the inhabitants of the island.

The initiative follows two weeks of intense diplomatic activity by the Argentinians to summon international support against Britain's recently proclaimed 150 mile fisheries conservation and management zone around the Falkland Islands and Britain's additional claim to the fisheries and sea-bed resources up to a 2000 mile limit around the island.

The US last week supported a resolution in a meeting of the Organisation of American States which proposed global talks on the Falkland Islands and which would include the sovereignty issue. Mrs Thatcher's Government, however, has steadfastly refused to discuss the sovereignty issue with Argentina, and the Prime Minister reiterated that position forcefully at the weekend after her meeting with President Ronald Reagan.

Sandoz to call on experts for inquiry into fire

By John Wicks in Zurich

MR MARC MORET, chairman and managing director of Sandoz, the Swiss chemical company, is to call on a group of "independent outside experts" to look into the recent fire at the Schweizerhalle plant near Basle, which resulted in widespread pollution of the Rhine.

This reflects the "dimensions which the disaster has assumed both for the environment and the for the company itself", a Sandoz statement said.

The working party will consider all aspects of the incident without affecting current investigations by the authorities. It will concentrate on "the situation before the fire, Measures taken during and after the fire and what consequences should be drawn."

Sandoz also announced that employees not so far involved in the enquiry into the fire are carrying out further investigations on the site.

These include quantities of insecticides, fungicides, rodenticides and acaricides (chemicals used against mites) which had not been included in a November 4 list.

In order to reduce the amount of toxic and flammable materials stored on the Muttenz site, to which Schweizerhalle belongs, Sandoz' management has decided to cut the production of active agents for the manufacture of insecticides by at least 60 per cent.

BTR Nylex to acquire 51% of Taiwan group

BY MARTIN DICKSON IN LONDON

BTR NYLEX, the quoted Australian subsidiary of BTR, the British industrial conglomerate, is to acquire a controlling interest in a leading Taiwan plastics company for around US$110m in cash and shares in a deal which greatly increases the group's presence in the Pacific Rim.

BTR Nylex, in which BTR has a 62.5 per cent stake, is buying a 51 per cent stake in China General Plastics Group, a quoted producer of chemicals and polymers which had sales of about £110m and after-tax profits of around £10m in the first-half of this year. Its gross assets exceed £200m.

BTR Nylex is one of Australia's leading manufacturers and distributors of plastics and industrial rubber products and its present turnover is about the same as the Taiwan business. Mr Alan Jackson, chairman, said the deal represented a major advance in its development of a significant industrial presence in the Pacific Rim countries. It is paying US$87.5m in cash and issuing 4m BTR Nylex shares to the vendors.

The Australian company operates in considerable measure autonomously from BTR in London, though major strategic decisions such as this would be referred to headquarters.

Sir Owen Green, chairman of BTR, said the group intended increasingly to channel its investment in the Pacific Basin through BTR Nylex.

He added that this first investment in Taiwan might be followed by other ventures with the owners of China General Plastics, who also had interests in areas such as engineering components, luggage and household goods.

In an unrelated move, BTR in Britain last month announced it would be seeking a listing for its shares on the Tokyo stock market. This is designed to create a wider ownership for its equity outside the UK, and the group is also considering whether to have its shares listed in the US in the form of American Depositary Receipts (ADRs).

The Taiwan deal comes just a few days after BTR announced that Mr John Cahill, head of its operations in North America, is to take over in January as chief executive from Sir Owen Green, who will remain as chairman overseeing the group's strategic development.

BTR Nylex, which foreshadowed a major acquisition last month when it made a £50m ($71.4m) rights issue, said the Taiwan purchase came at a particularly appropriate time since the Australian Government had recently announced a major reduction in tariffs applied to imported polymers and chemicals. This would give specially favourable treatment to imports from emerging countries, including Taiwan.

US subpoenas leading figures

Continued from Page 1

The SEC had gone to considerable lengths late on Friday to assure the market that Mr Boesky personally and not his company would be paying the penalties and he had up to 18 months to do the necessary trading. Moreover, his main investment vehicle, Ivan F. Boesky Corp. was well capitalised, was competently managed and had sufficient liquid assets.

But caution among arbitrageurs and others on Wall Street was prompted by news reports that the SEC had issued subpoenas to some leading figures. It was believed that those subpoenaed included Mr Carl Icahn, one of the best known corporate raiders and presently bidding for USX, Mr Boyd Jeffries, the chairman of Jeffries & Co., a Los Angeles brokerage house that often assembled blocks of shares from arbitrageurs and sold them to raiders, and Mr Michael Milken, who is credited with inventing high yield junk bonds which have provided much of the finance for takeovers in recent years.

Mr Milken's firm, Drexel Burnham Lambert, a leading Wall Street securities house, which has expanded rapidly on the back of its junk bond business, confirmed it had been subpoenaed but would not comment on whether individual officers were also subpoenaed.

Mr Boesky yesterday resigned as chairman and director of Cambrian and General Securities investment trust, the trading vehicle he set up for tax reasons in the UK which invests almost entirely in North American securities.

The Cambrian and General board of directors asked for its shares to be suspended on the London Stock Exchange yesterday morning at prices of 130p for the ordinary shares and 226p for the capital shares. This gives the company a market capitalisation of £94m ($133m). Trading in the two bond issues of the Cambrian and General companies was also suspended.

Mr Boesky owns 80 per cent of the capital shares in Cambrian and General and 12 per cent of the ordinary shares. These shares have now been put into an escrow account, to deprive him of any voting influence over the company, and will eventually be handed over to the US Government.

International weather figures were unavailable because of a computer failure at the London Weather Centre.

Brussels rejects pleas by meat producers

By Tim Dickson in Brussels

THE EUROPEAN Commission created a major political storm last night by turning down pleas for help from British beef farmers and French lamb producers.

The Brussels based Commission – which alone can formulate the policies on which ministers take decisions – had been widely expected to agree a package of measures yesterday morning which if approved would have boosted domestic farm prices in Britain and France and gone some way to appease the increasingly restive French lamb lobby.

Mr John Gummer, Britain's Junior Agriculture Minister, described the refusal of the 17 member Commission to approve Britain's request for a green pound devaluation as blatant "discrimination".

He said that in September the Commission had quickly acceded to a similar demand from Ireland, a concession which he said had put British beef at a major competitive disadvantage and created the conditions for cross border smuggling between Ulster and the Irish Republic.

Mr Gummer could not accept a Commission decision "which is totally contrery to established practice on equity".

Green rates are used to translate the EEC's Ecu denominated common support prices into national prices. These are adjusted by so-called Monetary Compensatory Amounts (MCAs) to smooth out fluctuations in national currencies.

The problem for British farmers, as Mr Simon Gourlay the National Farmers Union President had said earlier, is that the currency distortions have given Irish exporters a significant price advantage in British markets.

Mr Gourlay said that Irish beef prices were £25 to £30 ($35-$42) a head cheaper than in Britain and that this had helped depress British prices by around 5 per cent in the last six to eight weeks.

Mr Grummer said that the present situation was "a clear encouragement to people in Ireland who can use the system for smuggling across the border and who can make profits which bear no relation to ordinary trade." The effect was to take away business from Northern Ireland abattoirs.

The Commission refused to comment directly on yesterday's developments but it is known to be hostile in principle to changes in green rates between annual price fixing negotiations as well as being conscious of the costs involved.

French hopes, meanwhile, had been pinned on some form of special help for their lamb producers who have been hit in recent weeks by a sharp fall in prices.

Ironically, France blames the high volume of British lamb exports for depressing the market and while no such request had been made Mr Frans Andriessen, the EEC Farm Commissioner, was known to favour introducing a special border tax on British supplies.

This would have meant introducing for the first time a negative MCA on lamb at a time when the Commission is known to be trying to do away with the system of subsidies and taxes implicit in MCAs.

On the recent attacks in France on lorries, carrying British lamb, Mr Gummer was clearly unhappy about the attitude of Mr Francois Guillaume, the French Agriculture Minister. Mr Guillaume is understood to have warned his fellow Farm Ministers that such attacks might be repeated if action was not taken quickly.

Meanwhile EEC Farm Ministers were preparing last night for a lengthy discussion on the latest ideas for cutting milk surpluses.

Kim Il-Sung death reports

Continued from Page 1

within the North Korean regime will further worry the South Koreans.

More news of the President's fate may come today with the arrival in Pyongyang of the Mongolian leader, Zhambyn Batmonkh, who is expected to be welcomed by party and a state leaders. The official Chinese newsagency Xinhua reported yesterday that Pyongyang was normal, its streets lined with national flags of the two countries.

North Korean radio was reported to be operating normally and communication links have not been cut. Officials at the Peking Foreign Ministry described reports that President Kim's alleged assassins had been allowed to enter Chinas as "sheer fabrication." A ministry spokesman said there would be no further comment on reports of President Kim's death.

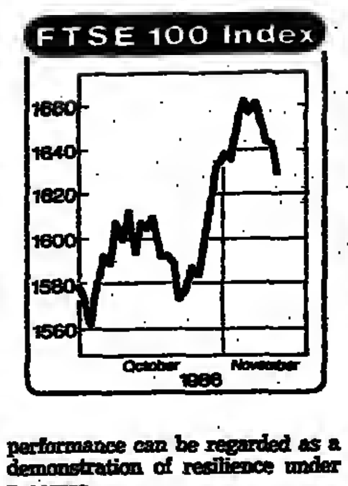
THE LEX COLUMN

BA passes its test flight

Who'd be a market maker? After the first three weeks from Big Bang day had been spent taking long positions in all the takeover prospects (and the rest), yesterday saw market-makers slashing the value of their assets on the grounds that the speculation game is over.

It is fortunate for them that the insitutions are not so quick to panic, and real selling – which would have lengthened the market-maker's books even more – was light.

Lucky, too, that Wall Street's nerve seemed much stronger than London's at the New York opening, so allowing a partial rally before the UK market close. If there were 100 points in the Dow Jones index for takeover rumours, the are still there this morning.



Printing

So many people are taking a hand in the reconstruction of the printing industry that it is hard to keep count. But it does at last begin to appear that the crowds around McCorquodale have begun to thin a little. Now that there is 315p on the table from the management group Datafin and a 75 per cent minimum acceptance condition to safeguard the restructuring of the company, Mr Maxwell has felt able to accept – on condition that the rival offer from Norton Opax fails on Friday.

In practice, the choice now lies between Datafin's cash and Norton's paper. Given the opportunity to withdraw from this embittered arena, there must be a better than even chance that shareholders will opt for the best available cash. Datafin's finances will be stretched to the limit if the buyout is implemented at this level, but that is a matter for Mr Holloran and his backers (conditionally including Mr Maxwell). The next phase of reconstruction – virtually forced disposals – may well interest onlookers like the rapidly expanding St Ives, which is itching to use its paper if the price is right.

British Airways

Anyone who doubts that British Airways is truly a stock for the professional market had better take a look at the bumpy flight path which led to BA's first-half profit of £141m.

For investors with the sort of broad portfolio that can accommodate fluctuating performances from individual holdings, BA's first-half performance can be regarded as a demonstration of resilience under pressure.

Dumped flat on its undercarriage by Libya and Chernobyl in the first-quarter, BA was almost 20 per cent below 1985 transatlantic passenger revenue: operating profits for that quarter fell by nearly three fifths overall.

Impressive and reassuring then, that the second-quarter surplus of £113m was only £2m below that for 1985; the swing between the two quarters looks like an interesting trading opportunity in embryo.

But individual privatisation investors should reflect on the way that the collapsing fuel price came to BA's aid as the year wore on. Savings may have been hard to realise in the early months, but when lower dollar prices for fuel and cheaper dollars are both taken into account, fuel costs for the half year were down by around £100m.

Since those savings are running on into the period that will be subject to forecast in the prospectus, while volumes on the North Atlantic have started to run usefully ahead of 1985, BA's sales force may even have a second-half profit to play with when they hit the road.

Gestetner

The ingenious buy-in proposal for Simon Engineering by Mr Philip Ling and friends may be only the first sign of a new trend in the restructuring of UK corporate assets, if AFP's deal with Gestetner is any guide. Here too new management is offered, again in exchange for just a piece of the action rather than the entire company. In this case the new team is proposing to work with, rather than instead of, the old.

And, most important, existing shareholders are being offered a full cash exit price – in the old fashioned style.

The price of 175p is about 17 times anticipated earnings for the year just ended. Until rumours of a takeover pushed the shares up to 140p that would have seemed like pennies from heaven. Yesterday's 52p rise to 192p may owe something to the view that if the Aussies are to build their stake up from 15 per cent to 55 per cent at an option exercise price of 170p, then the shares must actually be worth more. It is at least questionable whether AFP will be able to do such wonders with the Gestetner name and distribution network as to justify a share price of close to £2. Looked at coldly, the only sure thing – apart from 175p cash down – is that AFP is being handed control of the board in exchange for buying 15 per cent of the equity at the old market price of 140p. But after the terrible run that Gestetner shareholders have had for the last ten years they will hardly begrudge their antipodean saviours that privilege.

Tricentrol

Tricentrol shareholders may have a strong sense of deja vu at the sight of an extraordinary write off of £60m on what is euphemistically described as a reorganisation of North American assets.

Two eventful years ago a similar restructuring in the US threw up a book loss of £48m. This time the exercise has resulted in a deficit on Tricentrol's revenue reserves, so a reorganisation of capital structure and not just overvalued assets is inevitable.

But Tricentrol had no choice in the matter, if it wanted to keep its bankers sweet. The deal has the overriding virtue of reducing short-term debt by over £40m, with the prospect of a further £20m over time. Yet debt will still be over 100 per cent of depleted shareholders funds, and this argues against Tricentrol's ability to fund all of its excellent UK development prospects.

The company claims that it will be able to do so "with reasonable increases in the price of oil and natural gas." Would that prices were always reasonable. With the shares rising 3p to 74p investors still seem to be of the view that a better financed oil company than Tricentrol will bid to be the developer of that company's remaining assets.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday November 18 1986

MCorp to sell credit card unit for $300m

By William Hall in New York

MCORP, the big Texas bank which has been hit by the problems in the US oil industry, yesterday announced that it was selling its lucrative credit card and mortgage banking operations for $300m in a move which will bolster its capital ratios.

The Dallas banking group, which suspended its dividend earlier this month, has signed a definitive agreement to sell MNet to Lomas Nettleton, which services a $21bn mortgage portfolio and is one of the biggest mortgage banking firms in the US.

Mr Gene Bishop, MCorp's chief executive, said that the sale would boost the group's primary capital ratio by 187m to $1.8bn or 8.1 per cent of total assets. He said that the transaction quantified for MCorp shareholders "the substantial and previously unrecognised value that has been created through the activities of MNet."

MNet provides retail financial services to the MCorp group, 500 other commercial banks and has some 700,000 credit card customers. MNet's principal subsidiary, MBank USA, is a Delaware banking operation which conducts credit card and mortgage banking operations.

In the 10 months to the end of October MNet earned $32.3m pre-tax and had assets of $900m, credit card receivables of $900m and stockholders equity of $76m. MNet offers its credit cards through 575 correspondent banks and manages credit card processing for 23,000 merchants. MPact Brokers, one of its subsidiaries, is the largest discount brokerage operation in the South-West.

MCorp earned $7.1m in the third quarter of 1986 but lost $91m in the first nine months of the year, and its non-performing assets of $1.1bn have been rising and now roughly equal common shareholders' funds.

The growing problems of several Texas banks has led to the state rushing through a banking law allowing out-of-state banks to acquire local banks. However, MCorp has stressed its intention to remain independent.

MCorp shares closed $⅛ higher at $12⅛ in early trading yesterday.

El-Sayed takes over as Procordia deal founders

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

FERMENTA's share price fell steeply yesterday to a new low for the year as Mr Refaat El-Sayed, the controversial main shareholder in the troubled Swedish antibiotics and animal health group, sought to rescue his planned ownership deal with Procordia, the Swedish state holding company.

Mr El-Sayed told a shareholders meeting that he had not accepted Procordia's withdrawal from the agreement reached at the beginning of September under which it was to buy from him an initial 10.75 per cent voting stake with an option to increase this to 43 per cent within 12 months.

Mr El-Sayed also said that he was taking over again as managing director of Fermenta, the post he was forced to relinquish in February, when Fermenta was first plunged into turmoil as he admitted that he had lied to investors about his academic qualifications.

Procordia announced suddenly on Sunday that it was pulling out of the deal with Mr El-Sayed. It said that he had failed to fulfil his obligations to provide the necessary legal guarantees that would ensure Procordia's access to the 3m A shares on which it was to take an option.

Procordia last night rejected Mr El-Sayed's attempt to keep the deal alive. "He can keep as many doors open as he likes, we regard the deal as dead. We are not prepared to start negotiating again."

In the last year the Fermenta board has lost three of its heaviest industrial names: Mr Gosta Bystedt, deputy chairman of Electrolux, the household appliances concern, Mr Olf Widengren, chief executive of Astra, the pharmaceuticals group, and Mr Pär Skaantorp, chief executive of Kebo, the industrial operations arm of Beijer, the Swedish investment company.

Following the surprise withdrawal of Procordia the Fermenta shareholders meeting yesterday elected three other new board members; Mr Hans Mikaelsson, former managing director of Cotabanken, Sweden's fourth-largest commercial bank, Mr Jan Sparr, former managing director of Beijer, and Mr Sune Dahlberg, 66-year-old Fermenta executive. Only four weeks ago Mr Dahlberg was appointed managing director, the post Mr El-Sayed is now taking back himself.

Following the collapse of three major deals this year with Volvo, Montedison, the Italian chemicals group, and now Procordia, it is far from clear how Mr El-Sayed can broaden Fermenta ownership and solve his own pressing debt problems.

Earlier this year he announced that he had personal debts of around SKr 1.4bn ($202m). The first repayment of SKr 550m is due by mid-December.

Procordia's withdrawal denies Mr El-Sayed about SKr 200m, and it is still unclear when and whether he will be able to pursue his plan to sell 3m B shares to existing Fermenta shareholders. He said yesterday that a prospectus would be issued later this year.

Two wage earner investment funds, which were to have bought 800,000 B shares and underwritten the offer of 2.2m of the 3m B shares to Fermenta shareholders pulled out of the deal yesterday. They took the action on the grounds that Fermenta no longer had a long-term industrial partner, a pre-condition for its engagement.

The Fermenta share price fell by SKr 12 to SKr 107, compared with a peak for the year of SKr 295, after trading at only SKr 96 a share. The B free share dropped by SKr 13 to SKr 107 compared with a peak for the year of SKr 325.

Northrop to write off $250m on F-20 Tigershark fighter aircraft

BY OUR NEW YORK STAFF

NORTHROP, the US military aerospace group, said yesterday that it would write off $250m this year on its F-20 Tigershark fighter aircraft, which recently lost a vital US Air Force tender.

The company added that it saw no need for further investment in the F-20 project since its rejection in favour of a modified version of General Dynamics's F-16 fighter.

The Los Angeles-based contractor said that it had previously planned to write off about $200m on the F-20 this year but now intended to make provision in the fourth quarter to conclude contracts with its subcontractors and suppliers.

Total expenditure on the F-20 since the programme began would amount to about $1.2bn by the end of this year. All expenses have been written off as incurred.

The investment was an unprecedented step by a US defence contractor since Northrop developed the fighter without a specific Pentagon order. It began the project in the late 1970s in response to a request by the Carter Administration for a relatively cheap fighter with low maintenance costs that would appeal to US allies.

However, hopes of foreign orders were hit by a Reagan Administration ban on sales of the fighter to Taiwan. The company said yesterday that the absence of a US Air Force production programme had precluded foreign orders for the F-20 although many countries retained an interest.

Northrop has been able to sustain cash flow for the F-20 through its work for the Pentagon on the highly secret Stealth bomber, which is designed to be largely invisible to enemy radar.

The company slipped into the red in the third quarter after taking a $90m charge on a "long-term, customer-sponsored research and development contract" assumed by analysts to be the Stealth bomber.

Northrop lost $30.5m in the third quarter compared with net income of $47.8m, or $1.03 a share, in the year earlier period. Revenues were slightly ahead at $1.26bn against $1.21bn.

American Airlines agrees ACI bid

By Charles Hodgson in New York

AMERICAN AIRLINES, the second-largest US carrier, said yesterday that it had agreed to acquire ACI Holdings, parent company of AirCal, the West Coast airline, for $15 a share in a deal that could be worth $225m.

American is to buy 6m shares, or just under 70 per cent of ACI's outstanding common stock, as a first step and has an option to purchase an additional 10m authorised but unissued ACI common shares.

Pending approval of the cash merger by the US Department of Transportation, the shares will be held in a voting trust. ACI's convertible exchangeable preferred stock, and its convertible subordinated debentures will remain outstanding unless converted to common stock by their holders prior to consummation of the merger.

Assuming full conversion, the total equity value of the transaction is about $250m.

Mr Robert Crandall, American's 50-year-old chairman, said the merger brought benefits to both airlines.

"American, which is growing rapidly, needs the West Coast presence which AirCal can provide. AirCal, on the other hand, will benefit as its West Coast strength is supported by the reach of American's worldwide system," he said.

The acquisition was not a change of direction for American, which has about 15 per cent of the US domestic market, behind United Airlines, which has 17 per cent.

Mr Crandall described the move as a "tactical modification in the light of the special importance of the West Coast and the timing imperatives created by the rapidly changing airline industry."

In September, Delta Airlines, the Atlanta-based carrier, bought Salt Lake City-based Western Airlines in a $860m deal

STATE UTILITY ACTS AS A PILOT FOR PRIVATISATION

Spain sells off Gesa

BY TOM BURNS IN MADRID

MR Claudio Aranzadi, the new chairman of INI, Spain's public-sector holding group, thinks people's capitalism is largely a matter of rhetoric.

His views appear curiously at odds with an initiative he took last month to offer a sizable chunk of an INI-owned electrical utility for sale to private shareholders.

They are also, it seems, at odds with the giddy response to the offer. A 38 per cent shareholding in Gas y Electricidad (Gesa), worth Pta 8.2bn ($61.6m), was subscribed more than four times.

When the offer closed, the company ended up with 54,386 new shareholders each holding an average of 78 shares or an average individual investment of Pta 148,240 ($1,080).

Mr Aranzadi, 36, who moved up from INI's deputy chairman slot in June when Mr Luis Carlos Croissier, his contemporary and predecessor, was appointed Minister of Industry, is adamant that the Government of Socialist Premier Felipe Gonzalez has not taken a leaf out of Mrs Thatcher's privatisation book.

Although the Gesa operation is viewed by both INI and the Government as a pilot scheme for similar initiatives by other companies in Spain's public sector, comparisons with the UK are misplaced. Share ownership Spanish style is intended to be well short of people's ownership.

There is a fundamental difference. "We simply don't accept that private enterprise is intrinsically better," says Mr Arandazi. "We're selling the concept that people can earn money by investing in the public sector." INI's venture with Gesa is not to undermine the public sector but to strengthen it.

Gesa's new stockholders will doubtless make money when the company is quoted again on the Spanish bourse this month. But Mr Aranzadi and his fellow INI mandarins are already sufficiently satisfied with the confidence that small investors have shown in Gesa's state-controlled management.

A guiding principle of the pilot scheme was to ensure that INI firmly retained the whip hand. After the 38 per cent placement the state's participation in Gesa stands at 54 per cent, and Mr Aranzadi says that it will not be reduced further.

But a second was just as clearly to reach out to "the people." The scheme by passed traditional market investors and was aimed at placing shares with small time savers, many of them first-time players on the bourse.

Gesa left nothing to chance and embarked on an unprecedented advertising campaign that ran from direct mailing of its mini prospectus to radio jingles. To ensure a wide distribution, minimum investments were set at a low Pta 50,000 mark with a ceiling of Pta 50m.

In the event shares were allocated on a pro-rata basis after reducing to Pta 1m all bids in excess of that figure.

As an experiment it surpassed all expectations. "It may look paltry compared with British Telecom," says Mr Aranzake, "but its been perfect for our purposes. We've established there is a very big demand, a mass of potential investors."

Gesa was a sound choice for the pilot scheme. It earned net profits of Pta 952m last year on sales (electricity to the Balearic Islands and town gas to the main city of Palma de Mallorca) of Pta 23.8bn. Firmly established in the fast growing, tourist-driven economy of the Mediterranean islands, Gesa has diversified into water treatment, fish farming and renewable energy

As the pilot scheme's lessons are digested, INI executives are already drawing up lists of other companies that could travel along the same path of widely distributed share ownership.

But the key benefit is more of a psychological one. Gesa, it is claimed, has demonstrated that the public sector can raise venture capital finance just like anybody else – and this amounts to a green light for continued state control in all those sectors that the Government deems to be strategic.

If anything, it is this modified form of state capitalism that has found its place in the sun.

Kodak buys Fox Photo for $95.5m

BY OUR NEW YORK STAFF

EASTMAN KODAK, the world's largest manufacturer of photographic products, announced yesterday that it was to buy Fox Photo, a Texas-based film processor, for $95.5m.

Kodak will begin a cash tender offer at $30 a share for all Fox's common stock. The offer is conditional on Kodak acquiring two thirds of Fox's 3.2m outstanding shares. Kodak also has an option to purchase an additional 580,100 new shares directly from Fox. Certain Fox shareholders have already committed about 725,000 shares to Kodak.

The offer will be followed by a merger in which the remaining Fox shares are acquired for $30 each.

Fox, which is based in San Antonio, operates 20 wholesale photographic laboratories and 204 minilabs in 23 states. It reported net income of $3.2m on turnover of $185.8m in the financial year to April 1986.

Mr Carl Newton, Fox chairman, said the merger had been unanimously approved by the board and represented "excellent value for our shareholders."

K mart boosts sales to a record $87.3m

BY OUR NEW YORK STAFF

K MART, the second-largest US retail store chain, said yesterday that continued consumer confidence in the outlook for the US economy helped lift third-quarter earnings and boost sales to a record.

Net third-quarter earnings rose 12.7 per cent to $87.3m, or 66 cents a share, compared with $77.4m, or 60 cents, in the year-ago period.

Sales rose 8.9 per cent to $5.69bn against $5.2bn in the 1985 third quarter.

Mr Bernard Fauber, chairman, said continuing strong sales in K mart's clothing departments and improvements in sporting goods and automotive departments contributed substantially to the third-quarter performance.

Mr Fauber said the results would have been better but for the elimination of investment tax credit under the recently approved US tax reform legislation, which reduced earnings per share by 8 cents. The opening of a number of new stores also had an impact on the third-quarter results as all pre-opening costs were charged as incurred.

He added that gross margins declined modestly as a result of promotional programmes.

For the nine months, the Michigan company had record net income of $207.2m, or $2.24 a share, a 41.1 per cent increase on the $210m, or $1.73, earned in the year-ago period. Sales rose 7.7 per cent to $18.9bn.

Earlier this month, K mart announced the sale of its two cafeteria operations for $357.5m to redeem some costly long-term debt and the divestiture of the unprofitable Designer Depot stores.

Mr Fauber said that the net effect on 1986 reported earnings of these moves, which will be reflected in the fourth quarter, should be neutral.

INTL. COMPANIES AND FINANCE

Hochtief sees fall in profits

By Our Financial Staff

HOCHTIEF, the West German construction group, expects profit to fall this year because of rising domestic costs and stiff price competition at home and overseas.

Domestic results in the first nine months of the year had been below expectations, the company says. Foreign results were lower than in the same period a year earlier.

Construction output fell to DM 3.74bn ($1.87bn) in the nine months from DM 4.10bn in the same 1985 period. Incoming orders declined to DM 3.87bn from DM 4.17bn while orders on hand fell to DM 4.15bn from DM 4.58bn.

Hochtief said the construction industry in West Germany had finally begun to see a slight upturn in demand, but this had not led to any significant increase in construction output.

Building prices remained stagnant while costs, particularly for personnel had risen.

Overseas price competition has also been fierce this year. Foreign construction activity was again hampered by reduced oil earnings and financial difficulties of some developing countries.

Incoming orders from overseas totalled DM 1.09bn in the first nine months, down sharply from DM 1.88bn in the corresponding 1985 period.

Domestic incoming orders rose to DM 2.78bn from DM 2.49bn in January-September 1985.

Fiat to spend L3,116bn on plant modernisation and research

BY JOHN WYLES IN CASSINO

THE FIAT group yesterday announced an ambitious three-year L3,116bn ($2.2bn) plan for technologically upgrading its manufacturing plants and research and development efforts in southern Italy.

Supported by L600bn of government money, the programme is being presented not only as a modernisation of Fiat's 25 plants in the Mezzogiorno but also as an important contribution towards boosting technological skills and capacities in the region.

In addition to the L2,800bn allocated to plant development, the company plans to spend L466bn on expanding its research and development efforts in the south so that they are on a par with those in the north. Some L54bn has been allocated to retraining 8,000 of the group's 35,000 workers in the region together with 800 researchers. Fiat also expects to be recruiting another 1,000 employees.

Mr Vittorio Ghidella, Fiat Auto's managing director, stressed the company's need to match the highest technological standards if it was to remain competitive. Competition was not only a matter of price and financial resources but also of focusing on the content of the product.

Speaking in the offices of one of Fiat's most highly robotised assembly plants which sits in the shadow of Monte Cassino, Mr Ghidella stressed the importance that research and development into new materials was playing and would continue to play in vehicle development. "The use of plastics for structural parts offers an enormous leap forward," he said.

Fiat's strategic plan aims at integrating product planning and production through computer-aided design and manufacturing. At the point of production it wants the maximum flexibility based on computer control of the entire production cycle.

It is looking to its revamped and expanded southern research and development efforts for a major contribution towards reaching these goals. The plan received a warm welcome yesterday from Mr Salverino de Vito, the Minister for the Mezzogiorno, because of the priority which the Government is now giving to raising the region's technological potential.

According to the Minister, total research and development spending in the south is only 18 per cent of the national total "because of the lack of a structural capacity."

Pirelli buys stake in Wagner

BY ALAN FRIEDMAN IN MILAN

ITALY'S Pirelli tyre and cable group has acquired a 15 per cent equity stake in Wagner Indumat Systems, the Italian factory equipment subsidiary of West Germany's Wagner Fodertechnik.

Pirelli, which purchased the shares through its Dima Factory Systems division, said that it expected to acquire a further 45 per cent of Wagner Indumat by the end of next year, bringing total control to 60 per cent.

Pirelli did not disclose the purchase price for the recently formed Wagner Italian subsidiary but said it expected turnover to reach L10bn ($7m) in a couple of years. Wagner Indumat's turnover is around L2bn to L38bn, while Dima is predicting 1986 revenues of L35bn and has a staff of 270.

The Pirelli-Wagner deal includes technical and commercial co-operation in automated handling equipment for factories.

● Fininvest, the master holding company of Mr Silvio Berlusconi's private television, property, publishing and mutual fund group, is expecting to reach 1986 consolidated turnover of around L2,500bn ($1.8bn).

Fininvest has not yet released a balance sheet for 1985, when group turnover was around L2,000bn. In 1984 Fininvest made a net profit of L82.5bn on turnover of L1,128bn.

Mr Paolo Berlusconi, Fininvest managing director, said yesterday that by the end of this year group debt would be cancelled.

INTERNATIONAL COMPANIES and FINANCE

ANZ 5% ahead before write-off

BY ROBERT KENNEDY IN SYDNEY

THE AUSTRALIAN and New Zealand Banking Group (ANZ) hopes to show the benefits of its recent expansion programme—notably the purchase of the UK-based Grindlays — in the current year, after yesterday disclosing a 5 per cent advance in net profits to A$315.4m (US$203.7m) for the year to September.

Mr Will Bailey, managing director, said the results of the group's diversification and restructuring in the past two years had begun to flow through to shareholders.

While hardly an outstanding increase at 5 per cent, the ANZ outcome compared favourably with the efforts of its major local competitors: Westpac Banking last week reported a 2 per cent gain and earnings at National Australia Bank were barely changed.

The latest profit at ANZ excludes, however, an extraordinary loss of A$150.66m which related mainly to a goodwill write-off from its purchase of the outstanding 25 per cent of its New Zealand banking arm during the term.

Mr Bailey said market share of trading bank deposits rose 1.4 per cent and lending 0.8 per cent in the year. Benefits from this and automation investment were expected in the future.

"The directors are confident that these moves will see benefits flow to shareholders progressively over the next few years, indeed in some cases they have begun to do so this year," Mr Bailey said.

Pre-tax profits of ANZ Holdings UK (incorporating the Grindlays group) rose 31 per cent to £50.5m (US$35.5m but fell to £2.8m from £5.9m after debt provisions of £33.7m, up from £13.9m, and tax.

The provisions related largely to shipping and Middle East lending, ANZ said.

AUSTRALIAN BANK, a small five-year-old operation in which Banque Paribas has a 15 per cent stake, is to shed virtually all its retail side with the sale of three branches to Bank of New Zealand, which is continuing its expansion in Australia, Our Financial Staff writes.

No price was disclosed for the disposal of the businesses, in Perth, Brisbane and Melbourne. Mr Vic Martin, chairman, said that the more competitive environment had forced Australian Bank to specialise. It will concentrate on treasury and investment banking, and expand in construction finance through a planned venture with Lend Lease, the property developer.

Hill Samuel details SA restructuring

By Our Johannesburg Correspondent

OLD MUTUAL and Sanlam, South Africa's two largest insurance companies, are to become important shareholders in Hill Samuel's South African offshoot when the local company restructures its capital base.

The South African merchant bank's British parent has renounced its participation in the bank's planned R15.1m ($4.7m) rights issue in favour of the two insurance companies. As a result Old Mutual and Sanlam will each own 12.35 per cent of the South African bank's enlarged capital.

Executives of the bank will own 14.14 per cent of the equity, a further 10 per cent will be owned by a trust which administers the executive share purchase scheme, 20.31 per cent will be held by the British parent and 30.85 per cent will be held by outside shareholders.

The British parent's interest will eventually drop to 14.9 per cent as the executive trust has been granted the right to acquire a further 5.3 per cent of the issue capital. Ahead of the rights issue the British interest in the South African bank was 71 per cent.

Before the rights issue was announced in October the bank had 6.7m ordinary shares

The intention is to raise R15.1m by issuing 8.39m new ordinary shares at R1.80 each. R6.2m will be used to redeem preference shares held by the British parent.

Barlow Rand boosts earnings

BY JIM JONES IN JOHANNESBURG

BARLOW RAND, the South African industrial and mining group, earned almost 45 per cent of its attributable profits in foreign currencies during the year to September and expects the trend towards internationalisation to continue.

Mr Warren Clewlow, group chief executive, says that Bibby, the 86 per cent-owned British subsidiary, and exports by the minerals and mining divisions, allowed the group to earn revenues in economies which are contra-cyclical with that of the group's South African home base.

Turnover increased to R14.6bn ($4.6bn) from the previous year's R12.2bn and pre-tax profit was R1.08bn against R841m.

Mr Clewlow says that 88 per cent of the R2.4bn increase in turnover was internally generated, and that 12 per cent derived from acquisitions. Rand Mines, the holding company for the group's mining interests, benefited from the rand's persistent weakness and increased rand-denominated sales even though dollar export prices of coal and metals tended to fall.

Mining and minerals beneficiation contributed 38 per cent of the year's R646m after-tax profit, industrial interests provided 26 per cent, food 24 per cent and international operations 12 per cent. Several of the industrial subsidiaries reported improved sales and profits in the second half of the financial year as the South African economy gradually emerged from recession.

Earnings increased to 212.3 cents a share from 164.9 cents and the year's dividend has been lifted to 80 cents from 70 cents. Barlow Rand's principal shareholder is Old Mutual, South Africa's largest insurance company.

● C. G. Smith, Barlow Rand Group's food, packaging and textiles holding company, was hurt by a profit setback at its Imperial Cold Storage (ICS) subsidiary in the year to September, but still increased consolidated turnover and profits. Turnover increased to R7.2bn from the previous R6.2bn, the pre-tax profit was R372.5m against R292.6m.

Earnings increased to 287.5 cents a share from 268.5 cents and the total dividend has been raised to 130 cents from 125 cents.

Tax charge leaves Elbit lower

BY JUDITH MALTZ IN TEL AVIV

ELBIT, the Israeli manufacturer of military communications equipment and commercial computer systems, has revealed a 31 per cent drop in net earnings to $6.6m for the six months to September.

Sales were stable at $76.4m, with some 60 per cent deriving from exports. The company's backlog of orders, valued at $267m, was slightly higher than for the previous year.

The downturn in profitability was attributed to a $2.8m tax provision, following five years in which the company had paid virtually no taxes. Government tax rates designed to protect Israeli industry from the adverse effects of frequent devaluations no longer have an effect now that the exchange rate has stabilised.

As a result of cuts in orders from the Israeli Defence Ministry, Elbit's major domestic client, the company has decided to concentrate its marketing efforts overseas, mainly in the US. Last month it signed a deal with Boeing to help update weapon deliveries and navigation systems in US Air Force Phantom jets.

Elron Electronic Industries holds a 68 per cent stake in Elbit. The rest of the company's shares are traded on the Israeli stock exchange.

Three Malaysian groups deny difficulties

BY WONG SULONG IN KUALA LUMPUR

THREE MALAYSIAN listed companies—Kuala Lumpur Industries, Sri Hartamas and Universal Cables—controlled by Datuk Wong Kee Tat, a property developer, have denied rumours that they are in financial trouble. This follows heavy selling of their shares in recent days on the Kuala Lumpur and Singapore stock exchanges.

On the KLSE last week, Kuala Lumpur Industries (KLI) plunged 30.5 cents to close at 51.5 cents on a turnover of 1.5m shares; Sri Hartamas fell by 19 cents to 105 cents on a turnover of 3.1m shares, while Universal Cables dropped 12.5 cents to 28.5 cents with 846,000 shares transacted.

When trading resumed yesterday, Sri Hartamas encountered continuous selling pressure to fall by another 21 cents to 84 cents. It was the most actively traded issue, with 2.45m shares transacted.

However, KLI managed to recover 8.5 cents to 60 cents, on a turnover of 1.49m shares, while Universal Cables also recovered by 3.5 cents to 32 cents on a turnover of 276,000 shares.

In a statement to the KLSE and SES, KLI described its sharp share price fall as being due to "short selling and irresponsible rumours" about the company. Kuala Lumpur Finance, its finance subsidiary, encountered heavy withdrawals by depositors as a result of the rumours.

Universal Cables said it was the subject of rumours that it would be placed under receivership by its bankers. The rumours were "totally untrue," it added.

Datuk Wong is one of the biggest property developers in Kuala Lumpur, and due to the collapse of the property market, several of his projects are facing difficulties.

Fletcher Challenge revises bid for NZFP

FLETCHER CHALLENGE of New Zealand has revised its NZ$1.5bn (US$755.8m) offer for NZ Forest Products (NZFP), to allow acceptance at less than majority control, Reuter reports from Wellington.

Sir Ron Trotter, Fletcher chairman, said yesterday a new offer had been submitted which has no minimum acceptance level. On November 6 Fletcher offered NZ$3.60 cash per NZFP share or six Fletcher shares for every 10 NZFP shares, plus 30 cents cash per NZFP share.

The adjustment follows an agreement last week by Wattie Industries to sell a 24.9 per cent stake in NZFP to Rada Corporation, which is 49.9 per cent owned by NZFP, for NZ$5 a share.

Fletcher shares traded yesterday at NZ$5.98 and NZFP at NZ$4.05.

"The chairman of NZ Forest has advised us that an increase in Fletcher Challenge's shareholding would be welcomed and that he would recommend Fletcher representation on the NZ Forest board," Sir Ron said, adding: "He has suggested the two companies should work more closely together."

This was partially contradicted, however, by Mr Lyndsay Papps, NZFP chairman. He said he had given no further assurances to Fletcher, except to confirm that NZFP would continue to co-operate with the company as it had done for a number of years.

Mr Papps added: "I said only that NZ Forest could not prevent the Fletcher challenge from going to 19.9 per cent of the shareholding.

"As to the board membership, currently there are no vacancies on the board. That was something that NZ Forest directors would consider when Fletcher acquired 19.9 per cent, I said."

Fletcher now claims beneficial entitlement to some 8 per cent of NZFP. This is in addition to its 13.1 per cent starting level.

Bombay share trading halted

TRADING on the Bombay stock exchange, India's largest, came to a standstill again yesterday, with brokers refusing to do business unless income-tax authorities returned share certificates seized in raids on 21 stockbrokers last month, writes R. C. Murthy in Bombay.

Tax officials say the certificates can be released only after bank guarantees for their value are put up. An exchange delegation is trying to sort out the problem with the Indian finance ministry.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

CBOT applies to extend trading

BY DAVID OWEN IN CHICAGO

THE Chicago Board of Trade, the world's largest futures exchange, has filed an application with the Commodity Futures Trading Commission—the futures industry watchdog—for permission to extend trading hours on its wide range of financial futures and options contracts to up to 24 hours a day.

The move is viewed as a response to the progressive globalisation of the financial futures and options sector and follows protracted debate at the exchange over the merits of, on the one hand, extending trading hours and, on the other, forming "fungible" links with futures exchanges in different world time zones. A "fungible" link permits positions opened at one location to be closed later the same day at another.

Officials stress that the application does not mean that the CBOT has reached a final decision to proceed towards round the clock trading on all contracts. According to Mr Karsten Mahlmann, the exchange's vice chairman, "It was a generic request without any item being decided." However, the move clearly indicates that some movement in that direction may be anticipated.

The request will be of particular interest to users of the exchange's US Treasury bond futures, the most heavily traded futures contract in the world.

The move follows the recent announcement by the CBOT's arch rival, the Chicago Mercantile Exchange, that it is forming a joint task force with the New York Stock Exchange to study the possibility of an electronic linkage involving stocks and stock index futures contracts. CME has been a pioneer of international links between exchanges since it signed an agreement with the Singapore International Monetary Exchange in 1984.

Pits prepare for 24-hour dealing

THE RAPIDLY expanding financial futures and options sector, still dominated by the Chicago exchanges, has had plenty of time to ponder a response to the increasingly global demand for its products. According to Mr Robert Goldberg, who heads a special committee on international expansion for the Chicago Board of Trade, the biggest futures exchange, the first CBOT committee on the subject was set up in 1980.

But six years on, in an industry peculiarly dependent on the speed and shrewdness of its decision making and under cost pressure from the growing threat of fully automated, off-exchange trading, a consensus view on the right approach has still to be reached.

The sector is torn between two fundamental choices. The first school of thought believes in the establishment of formal links between exchanges in different time zones to trade identical, "fungible" contracts. These allow positions opened at one location to be closed later the same day at another. The second option proposed extending the trading day to enable continuous, round-the-clock trading to take place on a single exchange floor.

Until recently, it appeared that the first of these options was gaining support. While the number of formal exchange links announced (see chart) had merely scratched the surface of what is theoretically possible, the list of those electing to follow the example of the pioneering 1984 agreement between the Chicago Mercantile Exchange (the CBOT's arch rival) and the fledgeling Singapore International Monetary Exchange had been growing.

Now it seems that the proponents of longer trading hours have won the day, at least in the CBOT.

The small but fast-growing Sydney Futures Exchange, for example, this month said that it will open its US Treasury Bond and Eurodollar futures contracts two-and-a-half hours earlier in the morning to overlap the end of the US trading day. The SFE has also espoused the linkage approach, and recently started to trade US T-bond and Eurodollar futures interchangeably with the London International Financial Futures Exchange.

Meanwhile, with its own planned link with the London Stock Exchange seemingly interminably delayed by what one official has described as "technical and regulatory problems," the Philadelphia Stock Exchange, the market leader for traded currency options, is considering an extension of its regular hours. A new 7 to 11 pm evening session is one possible outcome.

The pros and cons which the big Chicago exchange has been weighing are essentially the following.

● A fungible link would establish its contract in another time zone, while provoking minimal changes in exchange procedures and opening hours. However, Chicago would risk losing some of its existing international business to its chosen associate.

● Extending hours avoids this risk, but would be unpopular with floor traders. Liquidity problems might also be anticipated during the small hours and the implementation of a continuous clearing system would probably be necessary.

One possible reason for the resurgence of interest in the extended hours approach is that none of the international links so far set up has yet proved a resounding success. Even the wide-ranging CME-SIMEX agreement is generally seen as a disappointingly slow development in an industry which has grown accustomed in recent years to spectacular volume gains.

Another explanation is that round-the-clock trading on one floor conjures up the alluring prospect of world-wide dominance of a given product area, as opposed to shared dominance with one or two associates in different time zones.

This prospect must have been particularly alluring for the CBOT, which is seen by many as dangerously dependent on its US T-bond contract. The exchange is keen to maximise the vast global potential of the strongest string in its bow and would dearly love to avoid sharing the spoils. All the more so since Japan, a massive player in the cash T-bond market, is likely to become an increasingly important factor in T-bond futures.

Extended trading hours and fungible links will probably each have a role to play as the internationalisation of exchange traded financial futures markets continues. Where the dominant exchange in a given product area feels it can maintain liquidity at unconventional hours and has sufficient support from its members, it may well decide to trade longer hours—although the progression to round-the-clock trading will doubtless be gradual. Where it does not, by contrast, it will probably settle for fungible links with suitable players in other time zones. "There clearly are products which (the Board of Trade) would be better off trading fungibly," says Mr Goldberg, citing yen bonds and gilts futures as examples of products in which Chicago could not expect to be the global market leader.

There is even the possibility that "hybrid" arrangements may be made, whereby a market leading exchange extends its trading hours into one neighbouring time zone but is content to establish a link in the other. Such arrangements may be deemed to be appropriate if a contract's liquidity in only one foreign time zone is expected to meet requirements. Or if floor traders look more favourably upon, say, an evening trading session, than one stretching through the small hours.

LINKS BETWEEN FUTURES AND OPTIONS EXCHANGES

CME/SIMEX	Currency and Eurodollar futures
EOS/Montreal/Vancouver/ Sydney Stock Exchanges	Gold options
Sydney Futures Exchange/ LIFFE	US T-bond and Eurodollar futures
SFE/NY COMEX	Gold futures
Planned links	
CBOT/LIFFE	Japan govt bond and Eurobond futures
London SE/ Philadelphia SE	Currency options
CME/NYSE	Various areas

Innovative CD facility for Bank of Tokyo

By Alexander Nicoll

BANK OF TOKYO has mandated Merrill Lynch Capital Markets to arrange a $250m certificate of deposit underwriting facility, incorporating a dealership feature believed to be a first for a bank listed on the so-called "run" which sets standard issue rates for 12 leading Japanese banks.

About 10 of the borrower's closest relationship banks are to be invited into the deal on a club basis. In addition to undisclosed front-end fees, they will earn a facility fee of 5 basis points, a utilisation fee of 5 basis points if underwriters have to take up any paper under the facility, and a maximum margin of 5 basis points above London interbank offered rates.

Bank of Tokyo would be most unlikely to draw on the facility, however, unless there were serious distortions of the rates quoted on the run.

The run generally quotes CDs of up to six months at rates 8 to 10 basis points below London interbank bid rates (Libid). To make it attractive to issue at the maximum margin under the facility, the run—or at least Bank of Tokyo's paper—would have to move more than 10 basis points above London interbank offered rates (Libor).

The deal does, however, include a separate feature which provides both borrowers and investors with greater flexibility and could even enable it to raise money more cheaply than at run rates.

Called a specialised dealership system, it enables banks taking part as underwriters to make bids to Bank of Tokyo for any maturity up to five years, and in any currency. This could allow issues of specific maturities, by comparison with the standardised early months or late month maturities of the run, and for longer periods than the six-month maximum on the run.

China opens its biggest money market

CHINA has opened its biggest money market in the northern Chinese city of Taiyuan, according to the state-run news agency, Xinhua.

The market handles borrowing and lending, the transfer of bonds and bill discounting and is run by the Industrial and Commercial Bank of Taiyuan, the capital of Shanxi Province.

At Saturday's opening session, 190,000 yuan (about US$52,800) worth of bonds were sold, while 110m yuan was borrowed.

China is introducing capitalist-type measures to provide a monetary market to finance China's enterprises independently of the Government. They are part of economic reforms that will make the economy more responsive to market trends.

The government has already set up a stock market in Shanghai and a bond market in Shenyang.

Credit Suisse doubts success of Dome ploy

CREDIT SUISSE said it was not representing holders of some SFr 200,000 worth of Dome Petroleum notes who are refusing to accept a debt waiver and that it doubted their chances of success, Reuter reports from Zurich.

The bank issued the debt, and conflict of interest would prevent it from representing them, a bank official said.

"It was known that we would not get a 100 per cent acceptance rate, that people would believe they could get more by doing this," he added. "Unfortunately, this scarcely seems possible."

Holders of more than 70 per cent of three series of Swiss franc-denominated debt earlier agreed a waiver until June 30 1987.

Japan trusts' assets climb

COMBINED NET assets of Japanese investments trusts, including those specialising in stock and bond investments, rose by Y571.5bn to a peak of Y29,030bn in October, according to Japan's Investment Trust Association.

Some observers said the record figure suggests more investors are moving funds from bank deposits due to sagging interest rates to better performing investment trusts.

The switch has been encouraged by the Bank of Japan's fourth successive cut in the official discount rate this year to 3 per cent, from 3.5 per cent, as from November 1. Interest rates on ordinary and other types of bank deposits have been sliding as a result of the central bank's move.

Reports of sluggish US economy lift issue volume

BY HAIG SIMONIAN

A BUSY DAY in the Eurobond markets saw new issue volume rise on the back of renewed speculation about the strength of the US economy and the likelihood of interest rate cuts.

The US economic statistics issued last Friday implied a more sluggish economy than has recently been suggested. If confirmed by GNP statistics later this week, new Eurodollar issue volume could be set to rise further.

Marriott / Portman Capital Corporation, a special purpose corporation linking the US hotels group with architect John Portman, issued a $375m 8¼ per cent 1993 bond, priced at 101¼. Led jointly by IBJ International and LTCB International, the issue was launched at 120 basis points over equivalent US Treasury bonds.

The borrower has been formed specifically to refinance the building of the skyscraper Marriott Marquis Hotel in New York's Times Square. Both principal and coupon payments are guaranteed by direct pay letters of credit. The deal's unusual structure is compensated by its attractive spread over US Treasuries, according to the lead managers, which have had the mandate for some time.

Banque Paribas Capital Markets led a $100m 7¼ per cent 1993 issue for the European Investment Bank (EIB), priced at 100¼.

The deal, priced to yield about 65 basis points over US Treasury bonds of similar maturity, was warmly received thanks to its terms and the borrower's quality. By mid-afternoon, the paper was trading at around less 1.35 to 1.20, well within its 1⅞ per cent fees.

Lucas Industries, the British electrical components manufacturer, issued a $50m 2001 par priced convertible bond, with an indicated coupon of 5¼ per cent. Led by J. Henry Schroder Wagg, the paper has an indicated premium of between four and eight per cent. The issue is callable immediately at 106 per cent, declining annually by one per cent thereafter. Final terms will be set on November 26.

Aichi Toyota Motor Company, a leading Japanese distributor of Toyota cars, issued a $30m 1991 par priced equity warrant bond, guaranteed by Tokai Bank. Led by Nomura International, the 3¾ per cent indicated coupon will be fixed on November 27.

In the primary Eurodollar FRN sector, Salomon Brothers International led a $125m 1996 par priced issue for First Chicago Corporation.

Improved sentiment towards FRNs and an attractive coupon of 1/16 per centage points above three-month London interbank offered rate (Libor) explained the increase in the size of the issue from $100m, according to the lead manager, which claimed good demand for this simply-structured deal from a well-known name. The first coupon will be set at the higher of 1/16 per cent over three-month Libor or 6⅛ per cent.

Franklin Savings Association, a Kansas-based US savings and loan association, made its Euromarket debut with a $350m 1991 collateralised FRN paying ⅛ per cent over six-month Libor.

Led by Merrill Lynch Capital Markets, this par-priced issue for one of the 30 largest US S & Ls by asset size is the first FRN issued by an S&L to be collateralised 120 per cent by triple A rated mortgage obligations of US Government agencies. Though the issue is not rated, the collateral's triple A status will be re-evaluated every week.

Buoyed by its reasonable spread over Libor, the non-callable paper was trading within fees by mid-afternoon, according to the lead manager.

BHF Bank Finance Jersey issued a A$50m 1989 14¼ per cent bond, led by Banque Paribas Capital Markets and priced at 101¼. Guaranteed by BHF Bank, this swap-related deal was trading within its 1¼ per cent fees at minus 1¼ to 1⅛ by late afternoon.

In a second swap-related issue, this time into floating-rate US dollars, Orion Royal Bank led an A$40m 14 per cent 1991 bond for Landesbank Rheinland-Pfalz Girozentrale, priced at 101¼. The non-callable issue was trading on its fees of two per cent at less two bid.

Philip Morris Inc, the US tobacco, beer and soft drinks group, gave last week's reactivated Ecu primary market another boost with an Ecu 75m 1989 7½ per cent 1989 issue, priced at 101¼. Led by Bank of America International, this swap-related deal is the first time a US corporate has raised three-year Ecu within the past 12 months.

Morgan Stanley led a NZ$40m 16½ per cent 1990 bond for Pirelli Financial Services NV, priced at 101¼, and guaranteed by Pirelli Societe Generale SA.

Nixdorf International Finance BV, the financing arm of the German computer manufacturer, issued a DM200m 1994 equity warrant bond, led by Deutsche Bank. With an indicated coupon of 6¼ per cent, the paper is priced at 148. The exercise price is DM702 per share, against yesterday's close of 707⅓.

The coupon for Magna International's $75m bond was fixed at 7 per cent. The conversion price was $20.75, representing a premium of 21.17 per cent.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 17

US DOLLAR STRAIGHTS

DEUTSCHE MARK STRAIGHTS

SWISS FRANC STRAIGHTS

YEN STRAIGHTS

OTHER STRAIGHTS

FLOATING RATE NOTES

CONVERTIBLE BONDS

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

MANAGEMENT : Small Business

Following the lure of the countryside

Peter Marsh reports on high-tech establishments in rural areas

"IF I get stuck with a technical problem, I lie out on the moor and let it stew. I don't go for too long—I can't leave the phone unattended." The speaker is Eddie Clunan, who for five years has run o one-man electronics company from an isoleted part of Cumbria, oue of Britain's most rural counties.

Many people in high-tech industries around the world would gladly swap their office blocks and laboratories for Clunan's business premises, a 270-year-old farmhouse called Hazel Hall, reached by a cart track and surrounded by rolling hills.

Life for the quietly spoken 39-year-old is not entirely a bucolic idyll, though. Customers and suppliers are mainly long distances away and his equipment s isomewhat rudimentary, as illustrated by the old caravan he is thinking of converting into a makeshift clean room.

Clunan is one of a growing number of people running technology-based businesses in ancient buildings in Britain's rural regions. The structures themselves often have the right kind of dimensions for design work and small-scale assembly in ectivities such as electronics and precision engineering.

The Council of Small Industries in Rural Areas, an arm of the UK Government's Development Commission, notes a growing trend by high-tech companies to set up in old buildings in the countryside. The council last year handed out £1.5m in grants (up from £460,000 in 1983-84) to aid the conversion of such structures into business premises.

High-tech businesses frequently fit in well in countryside areas. They usually employ small numbers of people and are relatively unobtrusive. Raw materials and products are generally lightweight and can be shipped in and out in small vans as opposed to heavy lorries.

Because of relatively low distribution costs, small businesses do not suffer a disadvantage through being in isolated areas a long way from their main customers in towns.

Overriding all other factors is simply that the people running high-technology businesses often prefer basing themselves in the countryside rather than in cities. They view the latter with distaste because of high crime rates, heavy traffic and so on.

Take Ian Bilsland who eight years ago worked for IBM in the London area. Bilsland packed his bags and moved several hundred miles north to Blairgowrie, a small town near Dundee in the foothills of the Cairngorms, to set up Graphic Information Systems, which designs computer software.

"I decided that if I was going to take the risk of starting on my own I would live in an attractive part of the world," says Bilsland, whose 16-person company is based in a converted 19th-century post office.

Isolated

Arthur Ring, proprietor of AR Microelectronics, which he runs with his wife, Georgina, has a still more unusual address, a 100-year-old former court house in Linton, near Cambridge. In the place where prisoners used to stand in the dock and he harangued by magistrates, there now rests a large computer. Ring uses the machine to design microchips for such customers as Plessey, ITT and Hughes Aircraft.

Many of the people running rural high-tech businesses stress the satisfaction they gain from working in the countryside. John McKechnie, founder of Microcode, a company in West Wratting, Cambridgeshire, spent three years designing his business's first product, e set of electronic circuits for encoding radio and telephone messages.

He did all this in an isolated 1726-built house, which ects both as his home and his company's drawing office, next door to e magnificent windmill. "This place gave me strength," McKechnie remarks.

Not all the companies which operate premises in the countryside are small fry. AE, e world-renowned engineering group recently the subject of e takeover bid by Turner and Newall, has its headquarters and research laboratory in a manor house near Rugby, Warwickshire. The company claims the location is highly convenient for travelling to Britain's main industrial centres and, moreover, provides a pleasant environment for top-grade business people.

Ingersoll Engineers, the consulting group, operates from another country house near Rugby, where it occasionally stages horse shows.

John Hawkins, founder of Babbage Software, a one-man software company, also lives at his business address, a converted, 100-year-old chapel in the country town of Totnes, Devon. Hawkins says he sometimes misses working in an ordinary office where there are other people to talk to.

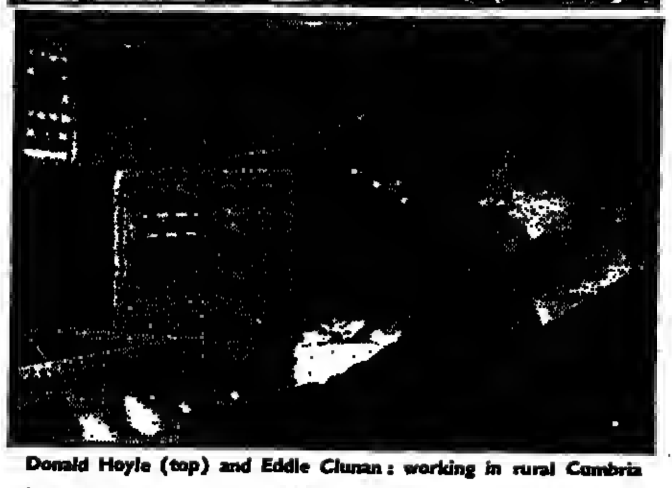
The opposite is true for Donald Hoyle, who thinks nothing of spending 12 hours a day by himself, designing computer software for controlling washing machines. Hoyle works in a 18th Century converted barn near the hamlet of Linethwaite in Cumbria.

The barn has tasteful wood panelling and is sound-proofed with special honeycomb material, to keep out noise from distractions such as passing tractors and to drown the sound of the washing machines which Hoyle tests.

Hoyle—who works for companies such as — — panies such as Procter & Gamble and whose biggest achievement was to devise a program for cleaning garments in only 30 minutes, half the normal time—says he does not miss the bonhomie of working in an office. "I find being in a rural area good for inspiration," he says.

Alex Miller, managing director of Eastpoint, a small, specialist engineering company, thinks much the same way. Eastpoint, which makes a range of products including telephone exchanges and parts for aircraft ejector seats, is based in an old railway station in the picturesque village of Corfe Castle, Dorset.

Miller and his two co-directors, Les Hayward and John Mullin, converted the station in 1963, when it was derelict. The trio had become sentimentally attached to the place after realising Hayward's grandfather used to work there as stationmaster.



Donald Hoyle (top) and Eddie Clunan: working in rural Cumbria

Another proud occupant of a disused railway station is Combustion Developments, of Bakewell, Derbyshire, which makes electronic systems for power stations. David Coe, managing director, says the premises help the company's business.

"When customers come here they remember us as the company in the railway station. It leaves a particularly good impression on Americans."

Running a business in old buildings in the countryside can sometimes lead to problems. ER Fluids is an engineering company, based in a ramshackle workshop in Brough, Derbyshire, which claims to have produced a new way of driving factory machinery. The technique is used in a novel clutch mechanism and turns liquids solid when current passes through them.

Dr Jan Aarons, commercial director, says the company, formed by ex-Sheffield University engineers, is working with several well-known overseas groups but does not have a good reputation with UK concerns. "Perhaps they would take us more seriously if we were in a smart building in London with a receptionist and someone making coffee for visitors," he says.

For many of the people involved in high-tech industry in the countryside, any disadvantages are offset by what they regard as a pleasant lifestyle. Ewan Ibbitson, who has a one-man software company in Idridgehay, Derbyshire, works from a converted hayloft in an old barn. Gazing out of the window at the surrounding hills, he says the tranquil surroundings "help me to concentrate."

Ian Rangeley, an ex-ICI computer programmer who studied management organisation techniques at the London Business School, scoured Britain for places in which to base Grey Matter, a 15-person software distribution company of which he is managing director.

Rangeley considered Milton Keynes (his family talked him out of it) before setting up in a converted grain warehouse in Ashburton, on the edge of Dartmoor in Devon. Ashburton is next to a fast trunk road which connects to the M5 and the rest of Britain's motorway system, making distribution relatively easy. Also, says Rangeley: "We live close to the hills and the sea and it's extremely beautiful."

Management buy-outs

No halt to rate of growth

BY MARTIN DICKSON

THE PHENOMENAL expansion of the British management buy-out industry shows no signs of faltering, with each week seeming to throw up new sources of funding or sophisticated variations on the basic idea.

The past fortnight alone has witnessed:

● Britain's second buy-out attempt during a takeover battle — that for printing group McCorquodale — and the first in which the management team has raised its initial offer.

● The launching of an inventive plan for a "management buy-in" through a hostile bid for Simon Engineering, tho process plant contractor.

The ropid growth of the industry is underlined in o new survey* published by Venture Economics, the venture capital specialists, in conjunction with Nottingham University's Centre for Management Buy-out Research, an ocknowledged leader in this field.

The survey claims to be the only "one stop" source of comprehensive information on 1985 buy-outs, deal structures and leading equity investors. But at e price of £1,095 (plus VAT) for 180 ring-bound pages, it is hardly parting with this fund of knowledge cheaply.

Several themes stand out. First, 1985 was the year that the buy-ont phenomenon came of age in the UK, with over £1.2bn worth of deals done (about four times that of 1984), accounting for some 15 per cent of overall acquisition activity. The buy-out, in short, became established as a legitimate arm of business policy.

Second, the time between a management succeeding with a buy-out and then flooting its company on the Stock Market has heen getting uoticeably shorter, providing institutional investors with an early opportunity to revalue their stake, or sell it if they so wish. The average time between buy-out and flotation for 33 companies which came to the market between 1982 and 1986 was just over two years — an average significantly reduced by the number of 1985 buyouts which have already heeu floated.

So called trade sales — that is, the disposal of a bought-out company to another company— have also become an increasingly important means for investors to get cash in their stake, particularly in small companies.

Third, the huy-out industry is becoming more international, with a growing number of divestments from foreign parent companies, more buy-outs involving the sale of overseas subsidiaries and the growing involvement of foreign investors, especially major US institutions.

The increasing role of the Americans could, says the report, lead to a much higher level of debt, relotive to equity, in buy-outs. In the UK, the majority of deals involves some 20 to 40 per cent of equity, while in the US the ratio of debt to equity often approaches 9:1. The Bank of England has already made clear that it would regard such e development as undesirahle.

As the report makes clear, investors in many management buy-outs have already made handsome returns — some within less than a year — and the rate of business failures has been very low (uoue among deals over £5m).

But amid all this activity, it is perhaps well to heed Venture Capital's warning thet "the future may uot be quite so bright. The upward pressure on huy-out valuations, which has heen caused largely by the high level of confidence in the stockmarket, may well put severe pressure ou the eash flow required to service the buy-out debt."

**Review of UK Management Buy-outs. 1986 edition. 180 pages. Available from Venture Economics, 14, Barley Mow Passage, London, W4 4PH. Price £1,095 plus VAT.*

In brief...

MORE than £6.5m has heen committed by investors to the most recent venture capital fund arranged by merchant bankers, Lazard Brothers. Called the Lazard Unquoted Companies Fund, it will make investments in UK unquoted companies with good growth prospects, operating across a wide range of industry sectors.

The fund will be managed by Development Capital Group, a Lazard subsidiary and is aimed at complementing Lazard's specialist funds which focus on investment in particular industry sectors.

●

A £25m West Country Fund has been established by 3i—Investors in Industry—to encourage new enterprise and employment among local companies in the West of England. 3i says it is responding to increasing demand for long-term business finance from firms throughout the south-west.

John Kingston, 3i's director for Bristol and the south-west, says: "Finance packages will be tailored by 3i to meet the precise needs of projects. It may be a long-term loan or a combination of loan and shareholding in the business." Details of the fund will be advertised in all the major regional newspapers, backed with direct marketing. The launch coincides with the move of 3i's Bristol office to 40 Queen Square.

●

A £1m Support for Electronics Manufacture (SEM) scheme has been launched by the Department of Trade and Industry to assist small British electronics companies to invest in computer-aided automated prodnction equipment for electronics assemblies and electronics products.

SEM provides grants of 25 per cent of project costs up to e maximum of £25,000. The scheme runs to the end of the year, or earlier if funds become committed before then. Projects under the scheme—which has been introduced under the DTI's support for advanced manufacturing in electronics programme — must be completed within at least three months of letter of offer being sent, or March 31 1987 at the latest. Application forms are obtainable from the DTI, Electronics Applications Division, Room 514, Bressenden Place, London SW1E 5DT, 01-218 7404.

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FT LAW REPORTS

Credit report may not be investment advice

THE ROYAL BANK TRUST COMPANY (TRINIDAD) LTD v PAMPELLONE
Privy Council:
(Lord Bridge of Harwich, Lord Templeman, Lord Oliver of Aylmerton, Lord Goff of Chieveley and Sir Robin Cooke):
November 10 1986

WHETHER INFORMATION given by a bank to a potential investor constitutes advice giving rise to a duty of care is a question of fact to be decided by the judge who hears the evidence; and accordingly, where a person invests on the basis of credit reports and other information provided by the bank his negligence claim in the event of subsequent loss will fail if it is found on the evidence that the information did not amount to advice, irrespective of whether the appellate court might have taken a different view.

The Privy Council so held (Lord Templeman and Sir Robin Cooke dissenting) when allowing an appeal by the Royal Bank Trust Company (Trinidad) Ltd, a company associated with the Royal Bank of Canada, from a judgment of the Court of Appeal of Trinidad and Tobago. The Court of Appeal had allowed in part an appeal by Mr and Mrs Joseph Norbert Pampellone from a judgment by Mr Justice Roopnarine dismissing their claim for negligence against the bank in respect of investment losses.

* * *

LORD GOFF, giving the majority judgment, said that in 1963 Mr Pampellone decided to look into the possibility of investing in Davies Investments, a finance company. He called at the bank in Trinidad and asked the general manager, Mr Kennedy, to investigate Davies for him. Mr Kennedy wrote to him in January 1964 stating that Davies was a "respectably constituted private limited company . . . All our reports indicate that this company may be regarded as trustworthy for its ordinary business engagements . . ."

The letter was based on an up-to-date credit information report received by the bank from a reputable mercantile agency.

Investments were made by the Pampellones in Davies in November 1964 without further reference to the bank. In 1967 Davies failed.

Mr Justice Roopnarine rejected a claim by the Pampellones in respect of their loss. He did not accept Mr Pampellone's evidence that he asked Mr Kennedy to advise him, and therefore did not think it necessary to consider whether there had been any negligence on the bank's part.

Other events took place in 1964 which gave rise to allegations by the Pampellones with regard to investment in Pinnock Finance.

Mr Kennedy's evidence, which was accepted by Mr Justice Roopnarine, was that he had two meetings with the Pampellones. At the first Mr Pampellone called to inquire about a deposit-taking company in the UK. Mr Kennedy informed him he had a recent credit report on Pinnock. He then orally passed on to Mr Pampellone the substance of the report, which was similar to that for Davies. He handed Mr Pampellone a brochure about the company together with a deposit application form.

Subsequently Mr Pampellone returned to the bank with his wife, bringing the completed application form. He authorised Mr Kennedy to have funds, held to their account with Royal Bank of Canada in Nassau, invested in Pinnock. Mr Kennedy wrote to Pinnock enclosing the application form together with the Pampellone's letter of authority.

Mr Justice Roopnarine held that no special relationship was created between the Pampellones and the bank to impose a duty of care. Information was given them which they considered. They voluntarily decided to invest in Pinnock and merely used the bank to channel funds from Nassau to Pinnock.

The initial investment in Pinnock of £6,451 was made on November 20 1964 for 11 months, after which that sum was reinvested.

The judge held that, quite apart from his finding that the bank owed no duty of care, any re-investment without reference back to the bank was not the bank's responsibility.

He dismissed the claim with regard to both the Davies and the Pinnock investments. His conclusion was to the effect that Mr Kennedy had done no more than provide information.

The judge must have refused to accept the Pampellones' evidence that Mr Kennedy had advised them they might safely invest with Pinnock. He therefore did not find it necessary to consider whether there had been negligence.

The trial was long. It lasted nearly four weeks. The judge had ample opportunity to assess Mr Kennedy and Mr Pampellone as witnesses.

The Pampellones' appeal to the Court of Appeal was dismissed with regard to Davies, but was allowed with regard to Pinnock. They no longer pursued the Davies claim.

In the Court of Appeal Mr Justice Kelsick, JA, who gave the leading judgment, accepted that in the case of Davies the bank owed no duty of care. However, he said the bank was liable for the loss incurred from Pinnock because it held itself out as carrying on the business of giving advice; a special relationship was created giving rise to a duty-care situation when Mr Pampellone requested the bank to recommend a suitable UK deposit company; and the bank's conduct was tantamount to advice to invest in Pinnock which was taken by the Pampellones to their detriment.

The bank fell short of the standard of care expected of a prudent investment adviser, said Mr Justice Kelsick, when it failed to make adequate inquiries into the Pampellones' personal circumstances and Pinnock's financial position. By omitting to take those steps, the bank was negligent in the statements it made concerning Pinnock. The breach of duty directly caused loss and the consequences ought reasonably to have been foreseen by the bank.

On the present appeal Mr Longmore, for the bank, submitted that the Court of Appeal in reversing the trial judge's decision on whether there was a duty of care with regard to Pinnock investments, substituted its own view for his on a question of fact, when it had no right to do so.

That submission was well-founded. The question whether the furnishing of information in any particular case was to be treated as equivalent to advice must depend on the facts, and in particular on the precise circumstances in which the relevant information had been given.

It was the trial judge who heard at length the evidence of Mr Kennedy and the Pampellones. He, having heard that evidence, formed the opinion that Mr Kennedy gave no recommendation that it was safe to invest in Pinnock, but simply provided Mr Pampellone with such information as was available to him.

It was not open to the Court of Appeal to conclude, on the basis of the judge's note of evidence, that he erred in reaching that conclusion of fact.

Once it was held that at a brief meeting the bank was prepared to do no more than provide such information as was available to it, the judge was entitled to form the opinion on the evidence before him that no duty of care arose other than to pass such information accurately to Mr Pampellone.

For those reasons the Court of Appeal decision that a duty of care rested on the bank in relation to advice on Pinnock could not stand.

The appeal was allowed.

LORD TEMPLEMAN and SIR ROBIN COOKE, dissenting, said they agreed with the Court of Appeal's finding that a duty of care arose. It arose when Mr Kennedy, the expert, supplied Mr Pampellone, the layman, with information about Pinnock which influenced him to invest in Pinnock.

That duty of care would not have arisen if Mr Pampellone had been familiar with finance companies. His naive inquiry for the name of a deposit-taking company was an indication of his ignorance. If Mr Kennedy failed to appreciate the significance of that inquiry, nevertheless he had no right to assume that Mr Pampellone would understand the relevance of information contained in or omitted from the brochure.

Mr Pampellone's visits to Mr Kennedy were not merely casual or devoid of serious business purpose. At the very least he was seeking information. In the words of Lord Reid in *Hedley Byrne [1964] AC 465, 486* he was "trusting the other to exercise such a degree of care as the circumstances required."

So, on principles regarded as settled, there must have been a duty of care.

Mr Kennedy's duty of care could have been satisfied in a number of ways. He could have offered to study the literature fully and make any necessary inquiries, and could have advised Mr Pampellone to take other professional advice. At the very least he could have warned Mr Pampellone that he had inadequate information about Pinnock to enable him to recommend the company as an investment.

Mr Kennedy appeared to have had a misplaced confidence in the credit reports for the purpose of investment decisions as distinct from the grant of credit.

Mr Pampellone relied on the inadequate and misleading information supplied without advice or warning beyond a warning that he must not put all his eggs in one basket. There was no other information which could have influenced him to invest in Pinnock. He suffered damage which flowed from Mr Kennedy's breach of duty in not giving anything approaching adequate advice.

Of course, the Pampellones voluntarily took a decision. But that decision was taken on the faith of misleading and inadequate literature and information which Mr Kennedy furnished without sufficient warning or advice.

For the bank: Andrew Longmore QC, Martin Daly SC and David Mildon (Clifford-Turner).

For the Pampellones: Stuart N. McKinnon QC, Rolston F. Nelson and Nazimuddin Mohammed (Jaques & Lewis).

By Rachel Davies
Barrister

UK COMPANY NEWS

PLAN TO LIQUIDATE THE GLASGOW STOCKHOLDERS TRUST

Mowlem bids to reduce its debt

BY TERRY POVEY

Jahn Mowlem has made a hostile bid for Glasgow Stockholders Trust. If its offer succeeds, the contracting and construction group is hoping to raise some £55m in order to reduce debts through the liquidation of GST's investments.

The contracting and construction group plans to liquidate GST's portfolio if its bid succeeds.

Mr Philip Beck, Mowlem's chairman, said yesterday that this form of fund raising had been chosen as it was "cheaper, and laft a better aftermarket in the company's shares at a tima when stock market conditions were uncertain as far as general rights issues were concerned."

GST, which had 90 per cent of its £55m assets as of the end of 1985 invested in UK, US and Far Eastern equities, yesterday asked shareholders to take no action on the Mowlem offer until the board writes to tham.

However, Sun Life Assurance Society and Sun Life Pensions, who between them own 26.5 per cent of GST's ordinary shares, have already agreed to accept the offer.

Mr Beck commented that he was disappointed that "the board of Stockholders have so far been unable to recommend the offer, particularly since the major shareholdar in their company has made it clear it will accept."

Mowlam's has been considaring ways of raising fresh funds and equity for some time but has been concerned to avoid dilution or the use of an extensive discount.

While the group'a shares fell 24p to 354p yesterday, one calculation makes the bid for the equivalent of an almost one-for-four rights issue at 345p.

Although at the start of this year Mowlem had nat cash of £28m, this balance had in the course of 1986 turned into a net debt equivalent to 60 per cent of shareholdera' funds.

Debts had grown because of the acquisition costs and working capital needs of SGB, the scaffolding company bought for £160m in May, and Alfred Booth, tha housebuilder the £17m purchase of which was completed in January.

To back up its share offer for GST, Mowlem has forecast pre-tax profits of not less than £29m for 1986, which compares with £13.1m last year, and earnings per share of not less than 33.3p (30.2p).

The tarms of Mowlem's offer are based on the formula asset value of each GST share. For a FAV of up to 180p, Mowlem will offar its shares, taken as being worth 382p each, to the value of 110.813 per cent of the asset value.

For an FAV of ovar 180p, Mowlem will pay 99.5 per cent of the excess in cash. A cash alternativa worth 165p for each GST share is also being offered.

On the basis of the most the Mowlem share offer is worth 184p a GST share. This compares with a 165p close last night.

See Lex

Miss Sam withdraws plans for flotation

By Richard Tomkins

Miss Sam, the high street fashion company which had yesterday been expected to unveil its prospectus for a flotation on the stock market, has been pulled out of the new issues queue.

Capel-Cure Myers, the stockbroker which has been advising the company, blamed a legal bitch for the withdrawal but would not elaborata. No-one at the company was available for comment.

Miss Sam had been expected to coma to the main market through a placing which would bave given it a market canitalisation of about £18m. The company bas a cash surplus and all the proceeds of the flotation—between £4m and £5m—were destined to go to the directors.

The company was founded in 1976 by Mr Stephen Morris. It designs and supplies women's and children's fashion wear to high street retailers and mail order companies in Britain and Europe, using sub-contracted manufacturers.

Capel-Cure Myers could not say whether Miss Sam's flotation had been cancelled or delayed. The legal hitch which has interfered with its plans for a listing is understood to be connected with the business itself rather than any difficulty in meeting the listing requirements.

McCorquodale buy-out final offer raised to £164m

BY DAVID GOODHART

THE McCorqnodale managemant buy-out team, competing with Norton Opax for control of its company, has increased its offer a final time under pressure from Mr Robert Maxwell who holds a 22 per cent stake.

It is now offering 315p a share, up from 310p which values tha company at £164m. Tha final offer also bows to Mr Maxwell's request for an equity stake in the buy-out if the Norton offer of 310p a share in paper and 303p in cash—fails on Friday.

In addition Pru-Bache, advisers to the buy-out, have stated for the first time that, in tha avent of Norton failing, its own offer will need 75 per cent acceptances to go unconditional. Both Mr Maxwell and Samual Montagu, which holds a 15 per cent McCorqnodale stake nn behalf of Norton Opax, have agreed to accept the buy-out offer in the event of Norton failing

Samuel Montagu had threatened to refuse to accept the buy-out offer if Norton failed which would hava made it difficult for the buy-out to take McCorquodale private.

However, Mr Clive Chalk of Samuel Montagu said last night that the concession had been easy to make because the situation would not arise. He stressed the fact that Mr Maxwell has committed his final 2.9 per centstake — in addition to the already-pledged 19.1 per cent — to Norton.

Mr Maxwell said that he had secured undertakings from Samuel Montagu not to frustrate the buy-out offer and now wanted the 63 per cent of uncommitted shareholders to decide the issue.

The extra finance for the increased offer is coming in part from the reduced cost of the financing group. Standard Chartered Bank has also agreed to increase its lona from £76m to £81.5m.

The Electra Candover Direct Investment Plan has increased from £34m to £38m its equity investment. However, it may face a cut in its stake arising from the option held by Mr Maxwell—and subsequently all other McCorquodale shareholders—of taking some equity in the buy-out.

All accepting shareholders have an opportunity to take shares in McCorquodale up to a maximum of £11.8m, subject to Tkeover Panel approval of the del with Mr Maxwell. He had agreed to subscribe for at least £2.6m of the equity and has an option to subscribe up to £6.5m.

See Lex

Petranol in talks with un-named suitor

Mr Terence Heneaghan, managing director of Petranol, the UK anergy company with a production base in the US, announced yesterday that preliminary merger talks were under way with an un-named suitor.

He said he had been forced to make the announcement because of a steep rise in the share price from about 36p 10 days ago to 58p last night.

Mr Heneaghan said, however, that the talks so far were not conclusive, and he hoped to make an announcement by the end of the week.

Last month Petranol's shareholders blocked a proposal to double it capital through a £6bn rights issue for the acquisition of Apollo Energy, a private US oil group. It is thought that Inoco, a US oil company, helped to block the rights issue through its 6.7 per cent holding in Petranol's equity.

Earlier this year, Inoco bid £21m for Petranol, but it was thwarted when the Takeover Panel decided that it and Mr Clive Smith, Petranol's former chairman who resigned this year, were acting in concert.

INFRARED ASSOCIATES, the US-based high-technology company quoted on USM made pre-tax profits of $413,000 (at current rates) in the half year to August 31 1986, against $347,000.

Acquisitions lift St Ives to £8m

BY DAVID GOODHART

St Ives, the fast-growing printing group which cama to the market in Septembar 1985, yesterday announced that in its first year as a public company turnover has risen from £18m to £80m and pre-tax profits from £2.5m to £8.45m.

The results are boosted by two major acquisitions—Richard Clay, the book printer, for £18.8m and Chase Web Offset, tha magazine printer, for £22m—which have helped lift its market capitalisation from £21m to ovar £100m and taken it into the ton five printing groups in the UK.

Richard Clay has made St Ives the largest book printer in Britain and Chase has made it one of the largest magazine printers. Under newer accounting rules pre-tax profits still show a rise of 47 per cent and turnover is up 23 per cent.

Mr Bob Gavron, St Ives chairman, said he remained keenly interested in further acquisitions. "There are many parts of tha printing industry such as packaging, security printing and statienery where we would like to expand," he said.

He said that no separate results for subsidiaries were provided but substantial progress in reorganising Richard Clay had been made without which the reduction in damand in book publishing may have hit the results.

The reorganisation has included: selling Clay's share of a joint venture in China to Mr Robert Maxwell; closure of its loss-making Gateshead plant; sale of Clay's London head office for £0.5m; and the cutting of 73 jobs—mainly office staff—at Clay's main plant in Norfolk.

In books the company has benefited from the counter-cyclical effect of Bible sales and tha extensive introduction of new technology by the previous management. In magazines, Mr Gavron said that plants continua to operate to full capacity and in the first threa months of the new financial year (starting August 1) 50 new magazine printing contracts had been won including two from abroad—for Elle and Company.

The net cost of redundancies over the year is £200,000 and the interest charge £700,000—gearing at the year end was 22 per cent but has now been reduced. Earnings per share have increased from 24.8p to 43.9p and a total dividend of 9p is proposed. In the coming year, Mr Gavron expects continued organic and acquisition growth.

SAC boosts profit 51%

SAC International, the USM quoted design engineering group, lifted taxable profits by 51 per cent from an adjusted £1.1m to £1.66m in the year to August 31, 1986.

Mr Roger Smedley, the chairman, said the result reflected a record level of activities for the group's trading which had arisen from continued organic growth, as well as the acquisition of Focus Technical Services in July.

The results, including Focus, showed that sales grew by 25 per cent to £20.13m (£16.08m), while earnings per 10p share rose 38 per cent to 8.15p (5.91p).

The final dividend is 1.35p net for a total of 2p. The company said this was a 33 per cent increase over the notional dividend which would have been recommended for the year ended August, 1985 had its shares been listed throughout that year—SAC came to the USM last December.

During the period under review, the group achieved a major corporate objective in obtaining a level of sales to overseas customers which now accounted for over 50 per cent of total turnover.

All SAC's UK activities performed well with all divisions showing an increase in turnover and profits. The chairman said he was confident that SAC was now well placed to benefit from the many international aerospace programmes that were expected to be launched over the coming year.

Boardroom shake-up at MSC

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

Manchester Ship Canal Company, which is resisting a long and apparently deadlocked takeover bid by Highams, yesterday made sweeping boardroom changes, appointing Mr Nicholas Berry as chairman and Sir Peter Lazarus, former Permanent Secretary of tha Department of Transport, one of three new directors.

Mr Donald Redford, who was chairman up to yesterday's boardmeeting, has been appointed to the non-executive post of president of the company.

Mr Berry said there was no question of Mr Redford having been sacked. He had brought forward his planned retirement by about six weeks.

However, Mr Redford's vigorous and uncompromising style has had its critics among shareholders, particularly after the MSCC's last agm, when his treatment of small shareholders questioning the board's response to Highams was very brusque.

This made him look as though he was trying to see off the then potential bid by the Lancashire property developer and owner of Highams, Mr John Whittaker, rather than safeguard the interests of the shareholders as a whole.

Meanwhile, Highams claimed yesterday that it now has 56.1 per cent of the MSCC's 8m shares and 42.6 per cent of the company's traceable votes. The voting structure is tapered to favour smaller shareholders.

Mr Berry immediately disputed the voting percentage, but admitted that the key word in Higham's statement was "traceable." About 6 per cent of votes, mainly of small shareholders, have not been traced.

Highams says it would therefore control any general meeting of the company the moment it achieved 47.1 per cent of the total votes and proxies.

It believes this to be an easily realisable objective: both sides could start trying to "unbundle" their holdings into smaller packets held by nominees so as to maximise voting power.

Highams believes it would eventually get a majority at a general meeting just by doing this.

However, Mr Berry said that ground rules agreed by both sides with the Takeover Panel stipulated that Highams must have more than half of all the votes, whether traced or not. In effect, this means that Highams needs 53 per cent of the traceable votes for the Panel to support its claims of victory.

Mr Martin Hill, Highams' managing director, said yesterday that this was still achievable and that the NSCC board should recognise the inevitability of defeat and resign.

Mr Berry, who is a director of the Daily Telegraph, joined the MSCC board last year with Mr Will Hopper, former Conservative Euro-MP for Greater Manchester and now chairman of the French-controlled Shire Trust in the City.

Mr Berry controls a quarter of the shares through the holdings of Harrap, of which he is chairman, and has a personal block of 700,000. Dr Isidor Klausner, Harrap's vice-chairman, joined the MSCC board yesterday, as did Mr Graham Elliott, a partner in a Manchester firm of chartered accountants.

As chairman, Mr Berry will also have joint control of 244,000 shares which the board holds in trust. He shares this with Mr Graham Stringer, Labour leader of Manchester City Council, which has no shares, but a £5m debenture and a statutory right to one more seat on the board than the shareholders' directors.

At the heart of the dispute is MSCC's green-field Barton Dock estate, which Mr Whittaker wants to transform into a shopping complex. MSCC claimed last week it had been offered £70m for the site when developed—as against Higham's total bid value of £37m.

MSCC is an unusual company because it is the last in the private sector with statutory obligations. These relate to navigation and drainage of the Mersey basin.

The presence on the board of Sir Peter Lazarus, with his wide-spread Government and Whitehall contacts, was therefore being viewed as possibly crucial for any negotiations that might now take place.

APV in £20m US expansion

APV HOLDINGS, the food processing equipment group, is paying about £20m for three US ice-cream equipment companies in a series of deals which will extend its capacity to produce a wide range of ice-cream types.

APV Crepaco, the British company's main operating subsidiary in the US, has reached agreement in principle to buy Glacier Industries, a maker of extrusion systems used in ice-cream manufacture.

APV is also negotiating the acquisition of Douglas Machine Corporation, which makes wrapping and tray-loading equipment, and Vitaline a manufacturer of frozen confection machinery, from FMC.

These purchases are the first by APV since it fought off a £220m takeover bid from Siebe, the safety products and engineering group, last June.

DIVIDENDS ANNOUNCED

		Current payment	Date of corresponding payment	Corresponding div.	Total for year	Total last year
N. Brown	int	4.5†	Jan 9	3.75	—	11.25
Concentric		2.94	—	2.35	4.5	3.7
Diploma		4†	Jan 7	4	5.25	5.25
Ivory & Sime	int	1.25	—	1	—	4.75
M. M. T. Computing‡		3.2	—	2.8	5	4
SAC International‡		1.35	—	—	2	—
St Ives		6	—	—	9	—
Share Drug Stores†‡		1.5	Jan 23	1.1	2.4	1.8
TMD Advertising‡		2	—	—	2	—
Volex	int	3.3	—	3	—	9

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 15 months. ‖ For 12 months.

SE quote for US gas group

By Max Wilkinson

Coastal Corporation, a US gas transmission and production group, is to seek listing on the London Stock Exchange just before the £5¼bn flotation of British Gas.

It will seek a listing on December 1 and hopes that dealings will start on December 4, just four days before dealings are due to start in British Gas shares.

Coastal, which will be the first US gas transmission company to seek a London listing, says that it was not particularly influenced by the timing of the British Gas offer, and had been considering ways of broadening its share base for some years.

Unlike British Gas shares, which are likely to be offered on a prospective yield of 6½ to 7 per cent, the yield on Coastal stock has been only about 4 per cent. Its emphasis will be on its past record of fast growth in the competitive US gas markets which have now been opened up by de-regulation measures.

PWS puts its case to Heath

The Fielding/Heath/PWS bid saga entered its final stage with the usual last minute exhortations, assertions, denials and counter denials associated with a bitterly contested bid.

A further circular from insurance brokers PWS which, under chief executive Mr Ronnie Ben-Zar is making a hostile bid for rival insurance broker C. E. Heath, reiterates the reasons why Heath's shareholders should reject the defensive merger between Heath and another insurance broker, Fielding Insurance — effectively a reverse takeover—and accept PWS's final and revised offer for Heath.

The document from PWS compares prospects of each combined company, in particular that PWS can add £8.3m profits to the grouping, against £6m from Fielding.

Heath's share price shed 7p to 480p, confirming the market's view that the Heath/Fielding merger will go through, while PWS shed 2p to 258p in line with the general weakness in the insurance broking sector.

UK COMPANY NEWS

David Goodhart on the 'young company most likely to'

Turning point for Coloroll

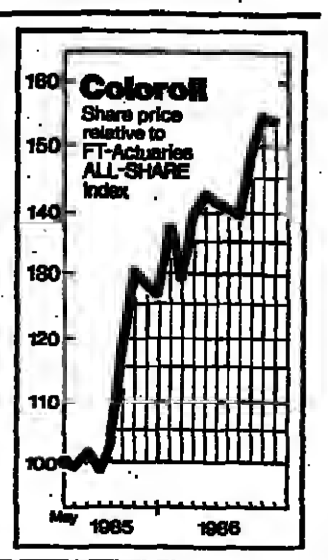
COLOROLL GROUP, the gilded youth of the British home fashion market, has become used to having praise heaped upon it.

Indeed, ever since Mrs Thatcher singled out the—then—fast-growing Lancashire wallpaper company for special praise during the 1980 opening of Parliament it has been the "young company most likely to."

It has had a few setbacks: an unimpressive profit record in the early 1980s; a loss-making venture into burglar alarm distribution; an over ambitious push into Australia; a temporarily disappointing flotation in 1985; and a mishandled first tilt at ceramics group Staffordshire Potteries earlier this year.

Nevertheless, it has continued to grow in turnover, profits, and reputation—thanks in part to the firm guidance of chairman Mr John Ashcroft who joined the company in 1978.

Mr John Ashcroft, chairman and chief executive of Coloroll



Wigan-born 37-year-old Mr Ashcroft, who bears more than a passing resemblance to Beatle George Harrison (circa 1965), has become one of Britain's most respected younger industrialists.

The company has grown from a profit of £500,000 on turnover of £6m when he arrived to an estimated £9.5m on turnover of over £100m for 1986-87. It is now at a turning point. Many analysts believe it has lined up a major textile group as its next acquisition target in a move designed to lift it directly into the corporate first division.

A bid is not likely for some months but Coloroll has recently changed its public relations adviser and made itself more than usually available to analysts and the press.

If it does take the plunge it will bring two main business assumptions to the task. The first is that British industrialists sped far too much time bleating about competition from Taiwan and fail to see how much money can still be made out of the many apparently static UK consumer goods markets such as wallcoverings.

When Mr Ashcroft arrived at Coloroll, from Crown wallcoverings, the company had 3 per cent of the UK wallcoverings market. He injected some new design and selling ideas into the sleepy DIY market and market share is now over 30 per cent.

In the early 1980s he also had the imagination to spot an opening for the design and manufacture of "packages" of home fashion goods. He noticed that several retailers were putting together packages (wallpaper, bed covers and curtains) but buying from different manufacturers and then paying a designer to blend them together.

As at least one major retailer has now agreed, it is simpler to buy from one manufacturer/designer—Coloroll.

Its appealing designs have something in common with Laura Ashley. In fact Laura Ashley has tried and failed to force Coloroll to change its logo, which it claimed was too similar to its own.

Although Coloroll is now best known for these Yuppie "packages"—proudly displayed at its new shop in Regent Street—the company has also now become, in John Ashcroft's phrase, "one of the mug moguls of the western world."

Following its two recent ceramics acquisitions — of Biltons and Staffordshire Potteries—Coloroll has the largest UK market share of the earthenware sector at 28 per cent.

These acquisitions underline Coloroll's second main assumption — that its undoubted competence in design, marketing and financial control can profitably be grafted on to many less well run companies in its "home fashion" patch.

Coloroll's post-acquisition strategy at Staffs appears to be a model of its kind. Staffs was by no means poorly managed and has one of the best ceramic production units in Europe.

The company has consistently made money out of mugs, but made itself vulnerable to takeover by mishandling its post-recession expansion into dinnerware, where it remains outperformed by Wedgwood at the top end of the market and by Biltons (now part of Coloroll) at the bottom end.

Coloroll claims, however, to have discovered a deeper "cultural" problem. That problem is illustrated by the fact that Staffs did not have a full-time marketing director and, more graphically, by a board meeting minute unearthed by Coloroll in which a senior director was quoted as saying that: "Major customers must appreciate that production has to be phased throughout the year."

In other words, Staffs has been classically production-led. Mr Philip Green, the Coloroll development director, says Staffs was inundated with task forces, study groups and committees but had remarkably little market information.

"Retailers have had to wait four months to get the products and have never been asked whether it's exactly what they want," he says.

Over a six-week period in the summer Coloroll set about installing its own very different management disciplines designed to achieve the minimum performance criterion of: 10 per cent return on sales, 25 per cent return on capital, 20 per cent annual e.p.s. growth, 10 per cent annual increase in dividend and 30 to 40 per cent gearing.

At the end of the six weeks clearer lines of responsibility and accountability had been established, Monday morning section management meetings to discuss all aspects of performance began, and the production of full management accounts each month was introduced.

Addressing the workforce at an "Open Day" meeting after the six-week shake-up, Mr Ashcroft summed up the changes as "cutting the crap." An immediate £500,000 has been cut out of overheads through axing 50 staff — mainly office workers — and closing the directors' bar and dining room. "Symbols are important," says Mr Green.

But Coloroll is also investing £3m, of which £2m is going into a new warehouse which allows the stocking sites to be cut from nine to one. The rest is being spent on computerisation and new capital equipment to improve the decoration of the dinnerware products.

Not everyone is happy, of course. When Mr Bill Bowers, the former chairman, finally stepped down in September he regretted the passing of a family style of management. He clearly found his new masters just a touch ruthless.

The workforce, too, admired Mr Ashcroft's directness but many were upset by the 50 redundancies after they thought they had been told at the Open Day that there would be none.

However, managers like Mr Tony Convey, the production director, have found the new regime liberating. He was part of what Philip Green describes as a "sub-culture" of good senior managers below board level.

These managers should now have far better information to serve their existing markets as well as the new markets opened up by ceramic input into the home fashion "packages."

Retailers like Marks and Spencer, Boots, Littlewoods and Sainsbury will soon be able to sell packages including giftware, wallcoverings, table linen, dinnerware and bedding.

Pineapple sees return to profit this year

Pineapple Group, formerly Pineapple Dance Studios, reduced its losses before tax from a re-stated £196,000 to £93,000 in the year to July 31 1986. And the directors expected the group would return to profits in the present year.

They added that the reorganisation of the traditional business was nearing completion and the company was well placed to establish it in the wider service-based sectors which had been identified.

Turnover was almost unchanged at £2.9m, against £2.88m, and the loss per 10p share came out at 1.73p (3.24p). This USM-quoted company is again paying no dividend.

● comment

Pineapple's shares may have shed 2p to 72p on profit-taking yesterday but they are still a long way ahead of the 28p low they hit last year. The recovery has been led by the market's recognition that the group has undergone a radical transformation since the end of the aerobics boom, and if yesterday's figures were looking at a loss-making company in the dance studios business, next year's are expected to show modest profits from a fashion and marketing group. The dance studios will still be there, and will probably still be making losses, but Pineapple regards them as cheaper and more effective than media advertising. Last summer's rights issue leaves room for further acquisitions even after last week's purchase of Golden Key, and when these transpire the logic of the group's new strategy may become clearer. In the meantime, Pineapple is much in the category of a start-up, and carries concommitant risks.

AFP to take 55% stake in Gestetner

BY CLAY HARRIS

Gestetner Holdings, the duplicator and office investment group, has agreed to give management control to an Australian investment company in return for an initial £14m cash injection.

AFP Investment Corporation will take an initial 15 per cent stake in the company and commit another £128m over the next five years in return for convertible stock and options that would raise its holding to 55 per cent.

Mr Basil Sellers, AFP's largest shareholder, is to take over as chairman, with Mr Gregory Melgaard, its London representative, as vice-chairman. Mr David Gestetner and Mr Jonathan Gestetner will step down as joint chairmen but remain as directors, the former as group managing director.

AFP, formerly Australian Farming Properties, is the country's largest textile group and operates radio and television stations. I tholds options over 20 per cent of the capital of Elders IXL, the brewing to agriculture group.

All Gestetner shareholders will have the option to sell at 175p. They will be placed by Hoare Govett, AFP's advisers, and Australian firms McIntosh Hamson and Potts West Trumbull.

Decision on the future of the Gestetner family's own 28 per cent holding will be made by independent non-family trustees.

AFP is to buy its initial stake at 140p, the price at which shares were suspended last week. Its convertible loan stock and options rights would be exercised at 170p. On returning from suspension, Gestetner shares soared 52p to 192p. See Lex

Second US shareholder for Boosey & Hawkes

BY CHARLES BATCHELOR

Boosey & Hawkes, the music publisher and instrument manufacturer, has acquired a second large US shareholder in the shape of Allen & Company, a privately owned Wall Street investment firm.

Control of Boosey is already held by Carl Fischer, a private US music publisher, which owns 50.1 per cent. In June, Fischer helped block an £8m takeover bid for Boosey from Music Sales, a privately-owned British sheet music publisher.

Allen has bought a 19.06 per cent stake in Boosey's capital from the Trustees of the Ralph Hawkes Will Trust and from Mr Kenneth Pool.

Mr Pool, a former chairman of Boosey, was critical of the company's performance and opposed the re-election of two of its directors at a stormy annual meeting last June.

Allen has informed Mr Ronald Asserson, Boosey's chairman, and Mr Walter Connor, president of Carl Fischer, that it will support Fischer and the Boosey management in their efforts to return the company to profit.

Mr John Ketteley, for Allen, said the company was a long term holder of Boosey's shares which it viewed as attractive because of the company's catalogue list.

Allen bought 684,044 ordinary Boosey shares at 190p each and 51,056 7 per cent £1 cumulative preference votes and 19.06 per cent of the ordinary and preference votes combined.

Boosey's shares rose 20p to 195p yesterday.

MAI finds buyer for large part of LCAH

By Clay Harris

MAI, the financial services and media group, has found a buyer for a substantial proportion of the outdoor poster business of London & Continental Advertising Holdings.

The deal with Arthur Maiden, another advertising group, will proceed only if MAI succeeds in its takeover bid which values LCAH at £38.3m.

The agreed sale for £11m to £12m in cash would reduce the combined MAI-LCAH share of the roadside poster market to just over 30 per cent.

By last night, LCAH still had not formally responded to the offer, which is conditional on its shareholders rejecting a proposed rights issue which would give Piccadilly Holdings, an investment group, a 29.9 per cent stake and management control.

Without any disposals, the combined share would rise to about 44 per cent.

Piccadilly yesterday denounced the MAI offer as "a bid that is not a bid at all" because of attached conditions.

Piccadilly, an associate of Australia's Griffin Group, is underwriting a £7.4m rights issue for LCAH which it says "would lead to a much stronger company with an interesting, expansive future."

MAI has offered to underwrite a similar rights issue, but at a higher price, to give an immediate cash injection of £8.1m.

The bidder, which operates in the poster business as Mills & Allen, yesterday raised its holdings in LCAH to 22.6 per cent of ordinary shares and 12.4 per cent of convertible loan stock. It is offering 120p in cash or a 27-for-100 share alternative which was worth 115p at yesterday's MAI price of 426p, up 8p. LCAH shed 4p to close at 122p.

Share Drug advances 27%

Share Drug Stores, the USM quoted drug store retailer, yesterday announced a 27 per cent increase in 1985-86 profits and at the same time said it intended to seek a full listing in due course.

Pre-tax profits for the year ended August 30 1986 rose from £1.41m to £1.79m, on turnover ahead 48 per cent at £35.44m (£24.01m). Earnings per 10p share were 11.4p (9p) and the final dividend is 1.5p for a net total of 2.4p (1.8p), on capital increased by the April, 1986 rights issue.

● comment

Share Drug's disappointing results have underlined the difficulty of turning physical expansion into profits in the rapidly expanding drug stores sector. At £1.79m, pre-tax profits were soma £300,000 down on City expectations and this was even after a reappraisal of depreciation rates on certain of the assets had added £75,000 to the figure. Also, during the second half, turnover growth fell substantially. Share Drug says new outlets were prevented from making a contribution because of building delays in its ambitious 26-store opening programme. But the company also faced problems gaining customer familiarity in new areas, where it faces heavy competition from stores such as Superdrug. An advertising campaign starting in the current year could help Share Drug reach pre-tax profits of £2.4m, putting tha shares, at last night's closa of 275p, on a prospective p/e of 17.

UK COMPANY NEWS

Diploma hit by lower margins in electronics

Diploma, the electronics and building components manufacturer, lost further ground over the second six months of the 1985-86 year and for the 12 months as a whole saw its profits fall by £3m to £12.5m pre-tax.

As expected, the second half setback was not as dramatic as the first half's £2.2m downturn but nonetheless, the full year result was still a little *below* City predictions.

Group turnover for the year to September 30 1986 was little changed at £93.2m (£3.3m). The main cause for the profits reduction was a fall in margins in the electronic component distribution division.

The division's profits fell almost 40 per cent to £5.9m although turnover was only 4 per cent lower at £54m.

In addition to the downturn in demand within the electronic sector reduced activity in the oil services sector affected Henry Whitham where demand more than halved for special steels from the oil company engineering suppliers.

In the building service sector I. G. Lintels and Robert Lee achieved accelerated growth and between them increased turnover by 33 per cent and profits by 55 per cent.

Group tax for the year was reduced by £1.6m to £4.9m and after minorities of £0.4m (£0.6m) net profits worked through at £7.2m, against a previous £8.4m.

Earnings fell to 13.1p (15.9p). A same-again final dividend of 4p maintains the net total at 5.25p per 5p share.

The directors said yesterday that prospects for the new year remained mixed. The building services companies looked most promising but with no reliable pointers to early recovery in either the electronic or oil service sectors they remained cautious for the immediate short term.

● **comment**

Diploma has come in £1½m below expectations even allowing for the £700,000 contribution from the German subsidiary. But Holding electronic component sales and keeping the operating margin steady at just under 11 per cent in both halves are solid achievements. And the £1m rise in the contribution of the building industry supplies subsidiaries exactly offsets a fall in the contribution from the oil-afflicted Henry Whitham to £3m. This year more holding the line is likely in both special steels and components. As Diploma is protected by its franchise position from stock losses, it is able to hold large stocks at the manufacturers risk and thereby attract trade especially in the passive component area. Given this the company is a fairly safe bet for those who wish to retain a weighting in what still looks like a beleaguered industry. On £14m pre-tax, the shares up 5p at 185p, are on a prospective multiple of 12.

N. Brown advances 43% at midterm

N. Brown Investments raised pre-tax profits by 43 per cent to £2.72m in the six months to August 30 1986 on sales ahead 24 per cent at £30.03m, against £24.22m.

Mr David Alliance, the chairman, said the results were encouraging. Interim figures did not include any contribution from Morfitt & Turnbull, the specialist life and pensions broker and fund manager, acquired at the end of July. Morfitt is performing in line with budget.

The Shopping Sense direct mail order business, acquired in October, had given the group access to additional customers, and three new specialist direct catalogues had been launched this autumn, although none of these new ventures were expected to make a profit contribution this year.

Mr Alliance said the main autumn/winter catalogues had been well received and the board was confident about the outlook for the year as a whole.

In the year ended March 1 1986, pre-tax profits were up to a record £6.1m (£4.57m).

First-half earnings per 20p share climbed 57 per cent from 8.97p to 14.06p and the net interim dividend is increased from 3.75p to 4.5p—last year's final was 7.5p. A one-for-one scrip issue is also proposed.

The company intends to change its name to N. Brown Group.

● **comment**

Margins got higher and markets widened for N. Brown's larger ladies clothing division, J. D. Williams, in the first half. Keeping up the growth record depends on whether the new catalogues for higher margin products like kitchen and garden goods will have the same appeal to direct mail order clients. It must also be doubtful whether with all the companies who are at present planning to offer financial products, N. Brown can make its service a success. However, some of Brown's other plans, like the Comfortably Yours range for the elderly and infirm, seemed to be aimed at the kind of niche in the market that made J. D. Williams a success. For the full year, profits may touch £9.3m putting the shares, at 850p, on a prospective p/e of 18. However, that rating is distorted by the 75 per cent Alliance family holding.

Volex profits slip to £2.1m

EXCEPTIONAL problems in its major divisions have hit Volex, the electrical and electronic control group, in the half-year ended September 30 1986, and so brought to an end the rapid expansion of the past few years.

In the period, turnover rose by 7.5 per cent but operating profit was only maintained and the pre-tax balance marginally declined.

Turnover came to £31.65m (£29.44m), operating profit to £2.45m (£2.44m) and the pre-tax balance to £2.08m (£2.13m), after interest charges of £367,000 (£304,000).

However, the directors said they expected the result for the full year would be satisfactory, and that the group would continue to develop soundly in future.

They are rasing the interim dividend from 3p to 3.3p net. In the year ended March 31 1986 the group made a pre-tax profit of £5.11m (£4.13m) and paid a final dividend of 6p.

At Volex Wiring Systems sales increased. But because of delays in the launch of new car models, the division encountered exceptional short term operating problems in having to produce two very large new car wiring systems simultaneously.

The division also suffered from industrial disputes, including a two-week strike in the second half. All those problems were settled and the division worked through its difficulties on the new large wiring systems.

At Volex Accessories there were problems caused by the new component feeder factory in Salford coming into operation later than expected.

After tax £374,000 (£377,000) the net profit for the year worked through at £1.7m (£1.75m), for earnings of 11.2p (11.6p).

● **comment**

After three years as a recovery stock, Volex has come off its peak of 320p in recent weeks and this result exacerbated the trend, pushing the shares down 9p to 241p. Although the smaller divisions did well—particularly Raydex—the two main divisions, Wiring Systems and Accessories, hit the rocks of industrial action and slack export demand respectively. It is not a great advertisement for the company to admit that handling two big orders at once—from Rover and Jaguar—gave it difficulty and profits on the contracts will be slower to come through than expected. With the effect of two further weeks of industrial action to come through in this half, pre-tax profits are unlikely to top last year's £5.1m, putting the shares on a prospective p/e of 9. Since the tax charge is due to rise from 18 to 35 per cent next year, only the 5.4 per cent yield and the potential bid interest will give the shares further support.

Concentric advances 40% and more growth seen

PROFIT GROWTH slowed slightly in the second half for Concentric leaving pre-tax figures 40 per cent ahead at £3.29m in the year to the end of September 1986, against £2.35m last time. In the first six months profits were up by 47 per cent at £1.54m.

The result was achieved on turnover 5 per cent higher at £58.45m (£55.76m), and the directors are proposing to increase the final payment from 2.35p to 2.94p, making a total for the year of 4.5p against 3.7p.

Mr Tony Firth, chairman of this maker of controls and assemblies for the domestic, motor and engineering industries, said that all group companies traded well during the year. He added that, as never before, new products, new production processes and new markets were coming on stream.

He thought they would ensure the continued growth of the company and that there was no reason why Concentric should not build on its strengths and produce a further improvement in the present year.

The tax charge was £1.25m (£926,000) leaving earnings per 10p share up from 7.45p to 10.56p.

The shares closed at 112p, up 6p on the day.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Abbeycrest, B. Elliott, Great Southern, International Signal and Control, London International, MK Electric, Metal Box, Scottish Cities Investment Trust, Thames Television, WCRS, Young and Co's Brewery.

Finals:—Moran Tea, Oceans Consolidated, *Williamson Tea.*

FUTURE DATES

Interims:—

Bassett Foods	Nov 26
Borland International	Nov 24
Century Oils	Nov 25
Erskine House	Dec 4
Estates and Agency	Nov 28
Extel	Nov 20
Foster (John)	Nov 19
Gibbon Lyons	Nov 19
Lloyd (F. H.)	Nov 25
London Trust	Nov 19
NMC Investments	Nov 21
Norton Opax	Dec 1
Parkland Textile	Nov 24
TR North America Invest. Tst.	Nov 20

Finals:—

Anglia Secure Homes	Dec 2
Chrysalis	Nov 27

Lower tea prices hit Lawrie's profits

PROFITABILITY of Lawrie Group's tea interests were hit by a combination of a fall in production and lower market prices, the directors said yesterday.

Pre-tax profits fell from £4.35m to £2.02m in the six months to June 30 1986. On turnover lower at £2.86m compared with £3.12m.

Severe drought conditions *substantially* reduced *production* to the end of September, and a lower total crop for the season, with increased unit costs, was now unavoidable.

There had recently been some improvement in market prices, but with *over 70 per cent of* the anticipated total crop still to be sold, it was too soon to predict the outcome for the full year. The increased crop to June 30 partially offset the impact of lower sale prices.

The directors said coffee production again made a valuable contribution and profit after tax for the year was expected to be approximately £900,000 (£944,000).

Despite a shortage of rain, the crop produced by Stewart Holl (India) was within 10 per cent of the 1985 record. However, due to lower sale prices *and increased* production costs, earnings for the year will be substantially reduced.

Stated earnings per share at June 30 were down from *142.38p to 55.27p.*

Ivory & Sime managed funds up to £2.6bn

Ivory and Sime, investment management company, increased its pre-tax profits from £1.32m to £1.64m in the six months to October 31 1986, and the interim dividend is raised from 1p to 1.25p net.

Funds under the company's management at October 31 totalled £2.6bn compared with £2bn.

The directors said yesterday that the outlook for profits for the full year depended on the level of stock markets generally during the next six months. In particular, the levels of UK and US markets, and the US dollar, would be most important.

Turnover for the first half was ahead at £3.87m against £3.17m. Tax took £575,000 (£529,000), and amortisation of goodwill was unchanged at £125,000.

Calculated earnings per 0.1p share before amortisation of goodwill was 4.26p (3.15p), and 3.75p (2.64p) after.

S & U picks up and makes £0.5m midway

S and U Stores overcame last year's *setback* and lifted its pre-tax profit from £353,361 *to £525,518 in the half year* ended July 31 1986.

Mr Derek Coombs, chairman, felt the results were encouraging and indicated a significant increase for the full year over the previous £632,000 (£761,000).

Principal activity of the group is retail consumer credit and television rentals; it also runs an exporting operation. Turnover in the half year rose to £18.16m (£17.7m).

London Securities

London Securities, investment holding company, made a pre-tax profit of £511,000 in the half year to September 30, 1986, against a £157,000 loss last time.

Turnover rose from £480,000 to £990,000. Earnings per 5p share were 0.28p (0.11p loss). The company is considering a capital reconstruction so as to eliminate the deficit on revenue reserve and thus *allow* the payment of dividends.

UK COMPANY NEWS

Alice Rawsthorn on the USM debut of Halls Homes and Gardens

Clearing the path for growth

A NEW issue on the Unlisted Securities Market tends to conjure imagery of paper millionaires and people's businesses. Yet Halls Homes and Gardens, which will go public later this month, is made of more prosaic stuff, its business being the manufacture of garden sheds and greenhouses.

Halls has been manufacturing garden buildings since the 1930s when, as the consumer products division of the Austin Hall Group, it sold "everlasting, rot-proof portable buildings" from £1/8s for "two shillings down."

In the early 1970s Halls responded to the soaring price of cedar wood—with which it manufactured its garden sheds—by diversifying into aluminium greenhouses. By 1976 greenhouses provided the bulk of its turnover. Since then conservatories have emerged as a new source of profits.

Austin Hall was acquired by Pentos, then an acquisitive industrial holding company in 1974. Pentos needed to realise cash in the early 1980s and, in 1982, Halls' managers, led by the current chairman and managing director, Mr Clive Gregory, were given the opportunity to stage a management buy-out.

A buy-out package was assembled, with Citicorp as lead investor, providing £3.5m to purchase the business, £1.5m of which was to be deferred for 18 months.

The first priority was to sell off surplus stocks. Under Pentos the company had begun to diversify, unsuccessfully, into the marketing of general garden equipment. At the time of the buy-out it was left with stocks, worth roughly £2m, which would take two years to clear.

The second priority was to broaden Halls' product base. By the early 1980s the garden buildings market had matured and the emergence of the DIY "sheds" as retail distributors had sharpened price competitiveness.

As a result Halls has been forced to keep the price of its cheapest shed below £100 for a decade. The only scope for growth lies in securing distribution gains and by poaching market share from its competitors.

Halls has introduced new products and overhauled its designs. But the crux of its problems lay in marketing. From the late 1970s onwards it had changed the focus away from distribution through garden centres, towards the High Street multiples and DIY sheds. The garden centres became, as Mr Gregory put it, "rather uncomfortable" about this and Halls lost business from them.

The solution has been to introduce distinctive products for garden centres, with different point-of-sale material. Latterly it has also differentiated point-of-sale material for individual retail customers and, to a lesser extent, different product designs.

Since the buy-out Halls' share of the £45m garden buildings market has risen, according to Mr Gregory, from 24 to 30 per cent. The company anticipates further gains this year having expanded its retail distribution.

Halls has also entered a new and more fertile product field, conservatories. Whereas the garden building market is mature, conservatories are in their nascence. The market is thought to be worth £40m a year, but market penetration is only 4 per cent.

The first Halls conservatory was a modest affair, a "souped-up, lean-to greenhouse" as Mr Gregory called it. Since then the range of designs has been widened and the company has invested £600,000 in a high tech painting plant. It has now introduced the "Victorian" conservatory, designed in traditional style and made from wood with a far higher price and corresponding margins.

Conservatories provided sales of £3.3m—and much of the profits growth—in 1985, compared with £8.9m for garden buildings and £1.5m for other products. Both profits and turnover have risen since the buy-out, from £1,000 on £9m in 1981 to £696,000 on £13.7m last year. In its prospectus Halls will forecast pre-tax profits of £1m for the current year.

Halls plans to go public through a placing of shares sponsored by Schroders Securities. It will issue 30 per cent of its equity to raise £3m, some £1.65m of which will be ploughed back into the company to reduce the borrowings incurred by the buy-out.

The need to reduce these borrowings has prompted the flotation. Once the debt burden is reduced Halls plans to nurture its nascent markets overseas and in the commercial sphere, selling to architects and builders.

APPOINTMENTS

Chairman designate of Terresearch

Mr Ken W. Williams has joined the board of TERRESEARCH Taylor Woodrow's foundation engineering subsidiary, and Mr John Hislam, has been appointed manager of the company's bored piling and diaphragm walling activities. Due to increased responsibilities elsewhere in the group, Mr Roy Broadhead, will relinquish the chairmanship of Terresearch on January 1, and Mr Williams will assume this role.

*

Mr Colin Littlewood has been appointed a director of BULL THOMPSON & ASSOCIATES, a Lopex subsidiary. He was with Hoggett Bowers.

*

LAWRENCE GRAHAM has admitted Mr Paul Walker and Mr John Verrill to the partnership. Mr Walker was an assistant director in the corporate finance department of J. Henry Schroder Wagg & Co. Mr Verrill specialises in the oil sector and insolvency work.

*

Mr Martin G. Hallas has been appointed finance director and company secretary of ELEY, a subsidiary of IMI. He was finance director of IMI Cornelius International.

At SHEARSON LEHMAN METALS Mr Ian Patterson, formerly with Dubai Aluminium, will become aluminium dealer. Mr Barry Marshall, vice president, in charge of aluminium trading, will be taking over the new responsibility for managing day-to-day LME trading activities in London. Mr Barry Marshall, Mr Michael Turek, Mr Wolfgang Becker and Mr Kazunari Sugimoto have been appointed overseas directors.

*

HODGSON LANDAU BRANDS has appointed Mr P. J. Frost as managing partner. He is a partner at Hodgson Impey, the UK member firm, and will be based in London.

*

Mr Rod O'Donoghue has joined the INCHCAPE board as finance director. He was previously finance director of Pritchard Services Group.

*

Mr Frank Jackson has been appointed director of finance of KING EDWARD'S HOSPITAL FUND and part-time fellow in public finance at King's Fund College from February 1. He succeeds Mr Frank Hill in the former post. King Edward's Hospital Fund is an independent foundation dedicated to improving standards of health care and its management, and to the support of NHS and voluntary hospitals and related services, particularly in London.

*

Mr James McLeod is to become an associate director of ROCKFORT LAND, part of the Rockfort Group, from December 1. He is a development director at Trafalgar House Developments.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
—	F.P.	—	39	27	Australia Inv. Wrts.	39	—	—	—	—	—
250	F.P.	5/12	242	226	Arts Europe	238½	......	R7.6	2.4	4.5	13.3
¶270	F.P.	28/11	207	186	BakerHarrisSaund's10p	394	−2	R4.0	2.7	2.9	18.1
§98	F.P.	28/11	43	39	‡B.C.E. Hldgs 5p	42½	......	R10.0	3.0	3.5	14.1
§115	F.P.	14/11	122	120	‡Berry, Birch 10p	121	......	R2.5	2.2	4.9	13.0
§130	F.P.	—	156	130	‡Bilston & Batt'sea. 10p	145	−3	R3.7	2.2	3.6	17.9
§95	F.P.	21/11	145	117	‡Blenheim Exhibits. 5p	198	+2	u2.1	3.2	2.1	18.9
125	F.P	—	153	146	Brake Bros. 10p	146	−3	R2.2	4.2	2.1	15.7
§200	F.P	21/11	109	90	‡Citygrove 10p	90	−5	R2.5	2.7	3.9	13.1
§130	F.P.	—	153	146	Daniels (S.) 5p	153	......	R3.25	2.8	3.0	17.0
§105	F.P.	16/10	115	100	‡Eve Construction	113	......	u4.5	3.2	5.6	7.9
185	F.P.	7/11	210	188	‡Interlink Express 5p	210	......	R3.5	3.2	2.3	19.0
§105	F.P.	—	137	123	Lloyds Chemists 5p	152	−3	u1.28	3.3	1.4	31.2
§135	F.P.	24/10	285	145	‡Local London Group 5p	285	......	W5.0	1.8	2.5	32.1
—	—	—	115	110	Lon. & Gartmore Warr.	115	—	—	—	—	—
110	F.P.	5/11	143	119	Marlbor'gh Tech Man 5p	143	+4	R2.70	3.1	2.7	14.4
135	F.P.	20/11	154	143	Mecca Leisure 10p	146½	−2½	R4.1	2.2	3.9	16.0
§105	F.P.	24/10	184	133	‡Miller & Santhouse 5p	184	—	u2.25	2.4	1.7	34.4
§175	F.P.	24/10	79	71	‡Newage Trans 5p	71	−1	R3.5	2.5	6.9	8.0
§115	F.P.	—	130	126	‡QuarsoGr.Comm.$0.10	130	......	R3.195	2.8	3.5	14.6
§90	F.P.	24/10	94	88	‡Radamec Group 5p	98	......	R1.28	3.7	1.8	13.5
§95	F.P.	21/11	103	89	‡Rotunda 10p	102	+2	R30.3	2.8	4.1	12.3
¶110	F.P.	24/10	115	101	‡Ryman 5p	111	−2	L1.5	3.2	1.9	18.6
100	50	14/11	102	78	TSB	78	−1	W4.26	3.1	4.7	9.8
—	F.P.	—	52	52	Trippa $5	52	......	1.5c	—	2.0	—
§160	F.P.	5/12	179	163	‡Whinney Mackay 10p	165	......	R4.0	3.0	3.4	13.6
104	F.P.	5/12	89	80	‡Wooltons Bet'ware 10p	86	−3	dR3.7	1.5	6.1	15.6
**	F.P.	—	96	91	Yeoman Inv. Cap. 1p	91	......	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	17/12	190pm	140pm	Bristol Oil & Min 3% Cnv 2nd Mt Deb 1989	170pm	−7
§100	£10	8/1	12½	10	East Worcs. Water 12⅞% Red Deb 94-96	11¼	+¼
§100	£10	29/1	11	8½	Essex Water 11¼% Red. Deb. 2002-04	10½	+¼
¶101.41	£10	26/2	11¼	8	do 8¾% Red. Pf 1993	10	−¼
§100	F.P.	2/12	107½p	106p	Fed. Housing 9½% Cnv. Red. Prf	107p	—
‖	F.P.	16/12	109	100	Hartons 7% Cnv. Cum. Red. Prf	100	—
§100	£10	15/5	9½	2	Mid-Sussex Water 11% Red Deb 2012-16	4½	+½
—	F.P.	—	100¼	100	Nationwide 11¼% 26/10/87	100¼	+⅛
—	F.P.	—	100	100	do 11½% 23/11/87	100	—
¶101.87	£10	22/1	11¼	9	Portsmouth Wtr. 8¾% Red. Pf 1996	10	—
¶102.25	£10	8/1	11¼	9	Tendring Hundred Wtr 8¾% Rd. Pf 1996	10	—

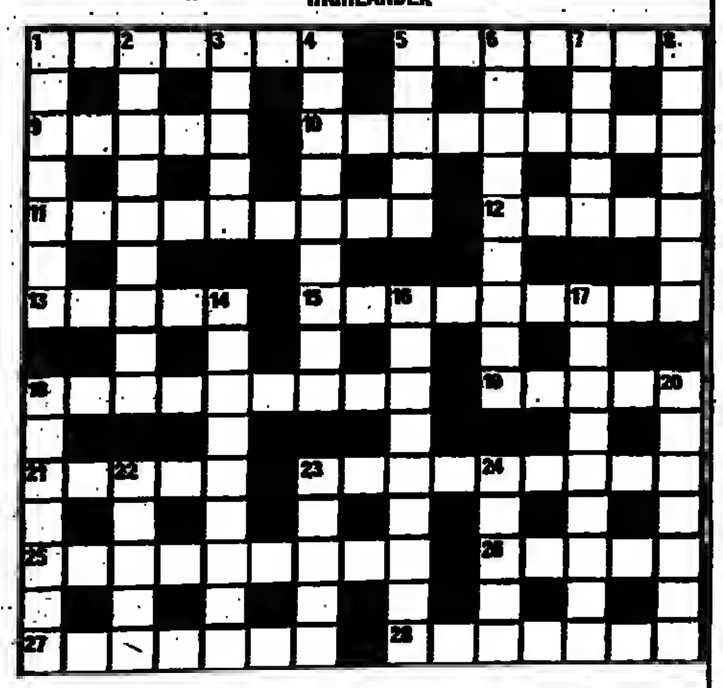
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
3	Nil	—	2¼pm	2¼pm	Blacks Leisure	2½p	2¼pm
70	Nil	19/12	8pm	1½pm	Brit. Benzol 10p	2pm	+½
180	Nil	—	15pm	15pm	Cook (Wm.)	20p	15pm
12	Nil	19/12	1¼pm	¼pm	Elswick 5p	¼pm	−1¼
14	Nil	7/1	6pm	5pm	London & Assoc. 10p	5½	......
40	Nil	19/12	16pm	5pm	Petrocon 12½p	5pm	−1
350	Nil	19/12	67pm	37pm	Redland	47pm	−1
720	360	9/1	376pm	385pm	Siebe	385pm	+10
180	Nil	—	21pm	21pm	Waddington (J.)	21pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures † Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▓ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

F.T. CROSSWORD PUZZLE NO. 6,180

HIGHLANDER



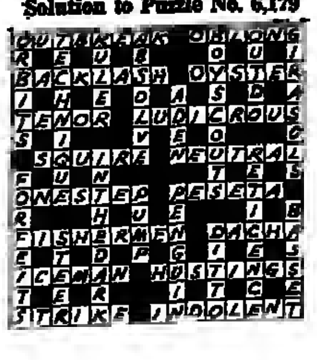
ACROSS

1 Minute in the morning, insect later becomes huge (7)
5 Special Branch, perhaps, will support canvas (7)
9 Cold skin is to blame (5)
10 Can be changed without daughter being agreeable (9)
11 Cut off at the rear followed by 12 coppers at one time (9)
12 Part of torso found in crate (5)
13 Cancel direction indicators after a time (5)
15 Silver turned blue by iodine? That takes the biscuit (9)
18 Virile newspaperman needs fixing (5,4)
19 Mention of French dramatist might produce boredom (5)
21 Got bigger grouse by the sound of it (5)
23 Device for turning large pastries? (9)
25 If one has to get rid of alien, time is involved (9)
26 Apparent in open country (5)
27 Office clock? Wind back during interval (4-3)
28 Harbour in southeast part of Greece (7)

DOWN

1 Weird horse boxes in vehicle (7)
2 Channel Two is a Yard supporter (9)
3 It's the works or nothing for every American (5)
4 First match together—it's illuminating (9)
5 Give in return (5)
6 Coloured a sort of blue, surrounds Channel Islands and can be diluted (9)
7 Walker can do this: it's within his boundary rights (5)
8 Part of scale introduces different rates for top musicians (7)
14 Is steel an indispensable alloy? (9)
16 Having no jockey without a qualification (9)
17 Tomb underground for foreign prince (9)
18 Colouring what the boor intended to say (7)
20 *Titanic* can be seen breaking up after partial immersion (7)
22 Dislike following society element (5)
23 Idiomatic language of abuse (5)
24 Large part of current issue (5)

Solution to Puzzle No. 6,179



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUST & INSURANCES

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Convtbl & Equity Tst	49.2	52.4	—	7.51
Growth Trust	53.8	57.3	+0.2	2.15
Income Trust	56.0	59.6	-0.2	4.94

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	73.0	76.0	—	2.80

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	133.0	141.5	+0.3	3.03

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Nov 14		104.0	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	200.1	210.7	—	—
Equity Ser. 1	302.8	328.3	-0.7	—
Prop. Acc. Ser 2	279.4	294.2	—	—
Equity Ser 2	111.6	117.5	-1.0	—
Selective Acc	236.3	248.8	-0.9	—
Prop. Ser. 4	221.2	232.9	—	—
Equity Ser. 4	114.2	120.3	-0.7	—
Fixed Int. Ser. 4	172.6	181.7	-0.1	—
Indexed Inv. Ser. 4	107.3	113.0	+0.3	—
American Ser. 4	260.6	274.4	+1.4	—
High Inc. Ser. 4	288.2	303.4	-1.2	—
Japan Ser 4	229.8	241.9	-1.8	—
Man. Ser. 4	347.7	366.1	-0.7	—
Money Ser. 4	197.6	208.0	—	—
European Ser 4	122.9	129.4	[illegible]	—
Pension Funds				
Property	359.1	378.0	—	—
Equity	763.1	803.3	-6.0	—
Selective	250.1	263.3	-0.9	—
Managed	614.1	646.5	-1.4	—
Security	343.9	361.9	—	—
Fixed Int.	187.4	197.3	—	—
European	197.9	208.4	-0.4	—
American	218.4	229.9	+1.5	—
Japan	237.0	249.5	-2.3	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2305

[illegible]

City of Westminster Assur.—Contd.

Fixed Interest Fund	139.6	147.0	—	—
Far East Fund	203.2	213.9	-1.8	—
North American Fund	175.1	184.4	-0.4	—
Natural Resources Fund	148.4	156.3	+0.1	—
Pension Managed Fund	385.0	405.3	-0.5	—
Pension Equity Fund	255.7	269.2	+0.6	—
Adventurous Mngd Fd	127.1	133.8	+0.3	—
Balanced Mngd Fd	124.9	131.5	+0.8	—
Conservative Mngd Fd	118.8	125.1	+0.9	—
European Fund	112.7	118.7	+4.7	—
International Fund	120.0	126.4	+1.0	—
S.U.N. Flagship Fd	129.2	136.0	+1.1	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	133.6	140.7	-0.5	—
Equity	151.4	159.4	-0.9	—
Property	110.6	116.5	—	—
Gilt & Fixed Interest	106.1	111.7	+0.2	—
Indexed Securities	97.2	102.4	+0.9	—
Cash	108.5	114.3	+0.1	—
North American	113.2	119.2	+0.3	—
Far East	125.6	132.3	-1.0	—
International	127.4	134.2	-0.5	—
Special Situations	146.3	159.0	-1.2	—
International Income	145.6	151.2	-0.6	—
American Income	123.1	129.6	+0.2	—
European	149.2	157.1	-0.4	—
Flexible Retirement Plan				
Mixed	236.6	249.0	-0.6	—
Equity	143.9	151.5	-1.4	—
Property	115.9	122.1	+0.1	—
Gilt & Fixed Interest	111.2	117.1	+0.1	—
Indexed Linked	98.5	103.7	+0.9	—
Cash	116.9	123.1	+0.1	—
North American	120.0	126.4	+0.9	—
Far East	139.8	147.2	-2.4	—
International	134.9	142.0	-0.5	—
Special Situations	165.2	173.9	-0.4	—
European	171.9	181.0	-0.8	—
Executive Investment Pension Plan				

Prices on November 12. Unit dealings on Wednesday.

Cash Fd	141.1	148.6	—	—
Mixed Fd	192.2	202.4	—	—
Fixed Int. Fd	140.1	147.5	—	—
UK Equity Fd	226.3	238.3	—	—
Property Fd	134.8	141.9	—	—
Overseas Fd	195.1	205.4	—	—
Index Linked Fd	104.9	110.5	—	—
Stock Ex. Fd	87.1	91.7	-0.1	1.55
North Am Fd	224.2	230.6	—	—
Far East Fd	146.0	154.7	—	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $18.60

World Wide Growth Management◊
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $16.73
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $17.02
Dynamic Gwth Fd ... $18.73

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ... 512.07 12.76

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Funds Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	10.30	7.78	11.39	3-mth
CAFCASH 7-day Fund	10.48	7.83	11.50	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.35	Q0.76Carl	—	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.99	7.47	10.91	6mth
7-day Fnd	10.15	7.59	11.09	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.01	7.48	10.73	6-Mth
7-day Fund	10.27	7.68	11.09	6-Mth
Dollar	4.87	3.64	5.21	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	10.25	7.50	10.86	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.25	7.66	11.10	Qtr
Wdwl.Chq. £1000-£9999	10.00	7.48	10.90	Mth
Min. Int. Chq. £5,000+	10.25	7.66	11.10	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	11.00	8.22	12.05	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.25	7.66	11.10	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.00	7.50	10.86	Qtr
Benchmark Trust Ltd				
9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	10.25	7.66	11.16	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	10.50	7.85	11.46	Mth
U.S. Dollar	5.375	4.02	5.76	Nov
German Mark	4.00	2.99	4.27	Nov
Swiss franc	1.00	0.75	1.06	Mth
Japanese Yen	4.00	2.99	4.27	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove 01-581 1422				
Money Market Plus	Top rate	7.65	11.17	Nov
For other rates please 'phone our Rateline 01-581 0629				
Co-operative Bank Cheque & Savs				
78-80 Cornhill EC3 01-626 6543				
£500-£2,500	7.38	5.50	7.92	Qtr
£2,500 +	10.38	7.75	11.29	Qtr
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	10.625	7.94	11.58	Qtr
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc	10.25	7.66	11.18	Mth
Legal & General (Money Mngrs) Ltd				
355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	10.50	7.85	11.27	6-mth
Lloyds Bank PLC				
71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	10.00	7.70	11.16	Qtr
Lombard North Central PLC				
17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	10.37	7.75	10.91	—
M & G/Kleinwort Benson				
M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	10.12	7.56	11.03	Daily
Midland Bank plc				
PO Box 2, Sheffield. 0742 528655				
High Int Chq Acc	9.97	7.45	10.79	Qtr
£10,000 +	10.30	7.70	11.16	Qtr
M.I.M. Britannia Ltd				
74-78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Cater Allen	10.13	7.57	11.05	—
NatWest Special Reserve Account				
41, Lothbury, London, EC2P 2BP 01-726 9953				
£2,000 to £9,999	10.25	7.625	11.05	Qtr
£10,000 and above	10.375	7.75	11.20	Qtr
Oppenheimer Money Mngmt Ltd				
66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acct	9.875	7.38	10.69	3-Mth
Phillips & Drew Trust Ltd				
120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	10.375	7.76	11.24	Qtr
Provincial Trust				
30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	11.00	8.22	12.02	Mth
Royal Bank of Scotland plc				
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	10.37	7.75	11.24	Qtr
Save & Prosper/Robert Fleming				
20 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.77	7.30	10.67	Daily
Tyndall & Co				
29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	10.41	7.78	11.28	Qtr
Money Acc	10.20	7.63	11.05	Qtr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc	9.25	6.91	10.04	Mth
Over £10,000	9.50	7.10	10.34	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL1 1SE 0752 224141				
High Int Chq Acc	10.38	7.76	11.25	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.0	8.22	11.94	Qtr

NOTES—Gross: rate is those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—Compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◊ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	25
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	26
Glaxo	85	Land Secs	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	Brit. Oil & Min.	$3\frac{1}{2}$
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

Precious metals tumble as speculators bale out

BY ANDREW GOWERS

THE PRICES of gold, platinum and silver fell sharply in London yesterday as speculators baled out of the metals which they flocked to buy during the summer and early autumn. Gold stayed all day below $400 an ounce for the first time since early September and platinum reached its lowest level in more than three months.

Gold bullion closed at $391.125, a fall of $17.375 from its finishing level in London on Friday. On the New York futures market prices declined further, with the December position closing at closing at $389.30.

The latest price move, which began in New York on Friday night as a wave of liquidations in the platinum futures market spilled over into gold, marks a new phase in gold's recent reaction to its summer rally. It takes the metal's cumulative decline since early October to more than $45.

Analysts with investment houses in New York and London said the $400 level had been providing psychological support for gold in recent weeks. The price was now testing technical support levels between $390 and $400, and some said it might decline as far as $380, though many people in the market still believe the upward trend will resume before long.

"I think the market's going to be on the defensive in the short term," said Ms Gail Levey, an analyst with Shearson Lehman Bros.

The first break below $400 occurred in New York on Friday, following several days of sharp declines in platinum. The platinum market provided gold with its initial impetus during the summer, amid intense speculation over possible supply disruptions stemming from the troubles in South Africa, the Western world's largest source of both metals.

However, these fears have waned as South Africa has tended to fade from the front pages in recent weeks. Last week, platinum fell sharply following a report by Johnson Matthey, the platinum refining and marketing company, that supplies from South Africa would be slightly higher this year than in 1985. Platinum was fixed in London yesterday afternoon at $489.50, down $43 on the day and at its lowest level since early August.

"We've seen a big shift in the past week in speculators' attitudes to gold and platinum," said Mr Jeffrey Christian, an independent gold analyst. "Some major speculators have liquidated long positions, and even gone short."

Silver, which perked up with the rallies in the other precious metals after a long period in the doldrums, was also severely hit, dropping more than 20 cents on the day to around $5.60 an ounce.

The fall in the gold price since last month is seen mainly as a predictable adjustment in a market that had risen too far, too fast. However, some analysts point to more fundamental reasons for a loss of interest in gold among investors.

Inflationary concerns that resurfaced in the summer have ebbed away, for example, and developments in the foreign exchange markets—including the recent agreement between the US and Japan and interventions by the West German Bundesbank—have dampened expectations of another dramatic slide in the value of the dollar in the short term.

The market has also been hit by reports of a renewed surge in Soviet gold sales, though a number of analysts are cautious about how much Moscow has sold and whether such sales are sustainable, and by a recent rise in output of so-called "secondary gold"—or gold recovered from scrap.

On the positive side for the gold price, some analysts point to a significant decline in South African sales to the world market this year. This results from moves by the country's central bank to top up its reserves and from the mining companies' decision to mine lower ore grades, their traditional response to higher prices. One analyst said the fall in sales that this would cause would be more than sufficient to offset the increase in mine output from other Western countries this year.

Comex to cut copper trading hours

TRADING HOURS for copper futures and options at the New York Commodity Exchange (Comex) will be shortened from December 1, the exchange said yesterday, reports Reuter from New York. The markets' openings will move from 8.50 am eastern time to 9.25 am and they will close at 2 pm instead of 2.15 pm.

The change results from a vote by Comex members and was not an administrative decision, the exchange said. The hours were extended on June 17, before which the markets opened at 9.50 am and closed at 2 pm.

The extension was prompted by fears that the exchange might lose business to newly-launched copper contracts on the MidAmerica Commodity Exchange which began trading at 8.50 am. However, that market has not proved a success and the volume of business on Comex's copper contracts had not justified the longer hours, Comex said.

Tin price higher

THE SPOT tin price on the European free market moved up about £15 a tonne to trade between £4,350 and £4,380 a tonne yesterday. Dealers said buying remained light but the upward trend was being encouraged by relatively tight supply and hopes of more consumer demand towards the month's end.

Some thought £4,400 might prove a temporary resistance point because light selling by Tin Council creditor banks might emerge at that level. However, they said most large holders were expected to wait for £5,000 a tonne to be reached.

Noranda restart

NORANDA is aiming to restart partial production at its strike-bound Horne, Quebec, copper smelter tomorrow. The company said operations using managerial staff would enable output at about 10 per cent of normal capacity. About 800 workers went on strike at the 240,000 short tons a year plant nearly two weeks ago.

Spanish tomatoes

THE FRENCH and Spanish governments have agreed to lift a ban on imports of fresh Spanish tomatoes to France, with effect from yesterday, reports Reuter from Paris. The French Agriculture Ministry said France had agreed to abolish the minimum price imposed on imports of tomatoes, based on production costs in French greenhouses.

Frost, rain and heat ravage the US sour cherry crop

AS US grain producers are reaping another large unneeded bumper harvest, the nation's sour (or tart) cherry growers are counting the cost of this year's sharply reduced crop.

Early season frosts, followed by heavy rain and above-average temperatures later in the year have ravaged yields in the major eastern US growing states of Michigan and New York.

Michigan's 1986 sour cherry production is now believed to have been 20 per cent below year-earlier levels at some 175m lbs. New York's harvest meanwhile plummetted 42 per cent to 13m lbs from 22.5m in 1985.

Overall, the National Agricultural Statistical Service is estimating the national crop, predominantly harvested in July, at 229.1m lbs—a thumping 20 per cent down on the 286.2m lbs 1985 crop level. It could have been worse. "At one time," says Mr Dolbert Rasmussen, General Manager of the Cherry Administration Board, "we thought the crop would be 168m pounds."

But consumers should be spared any significant price hikes this season because of the expected release onto the market of a stockpile of processed fruit, culled under the federal marketing order system, from the above average harvests of 1984 and 1985.

Under the system, a predetermined proportion of the sour cherry crops in bumper years is designated to be set aside to guard against shortfalls in below par seasons. The stockpiled fruit remains the property of the growers, who pay a set processing and storage charge for the administration of the programme, handled by the CAB.

"We have offered all 29.2m pounds in storage to processors," confirms Mr Rasmussen. He adds that awards are expected to be made on November 18 on the basis of received bids. All successful bidders will ultimately pay the same price: the lowest accepted bid.

While some Western state processors report that they paid growers up to 20 per cent more for their fruit than a year ago, wholesale prices for processed sour cherries are said to be relatively stable at 49 to 55 cents a pound. Sour cherries are generally canned for the pie filling market.

Meanwhile, apple production in Michigan and New York, respectively the second and third largest growing states, was also hit by the adverse weather conditions.

Michigan apple output is estimated down 41 per cent from last year at 650m pounds, while the New York crop is put at 950m pounds—down 15 per cent.

As with sour cherries, however, many consumers will be spared price rises because of the huge harvest in Washington state, the biggest domestic producer. While the crop is reported well down in every other major apple growing state, Washington's output soared 44 per cent to 2.95bn pounds. "Washington didn't get its usual rain at harvest time," explains the NASS's Mr Jim Brewster.

Analysts are now projecting an overall US crop of 7.94bn pounds, essentially unchanged from 1985 levels.

Some eastern consumers are, it seems, having to pay more for their apples because of the unusual crop distributions. In New York, the McIntosh brand is reported selling wholesale at $9 to $10 per cellophane-wrapped 36 lb carton—up from $7 to $7.50 a year ago.

It remains to be seen whether this will prompt a renewed surge in US apple imports which have risen steadily from 77,000 tonnes in 1981 to 124,000 tonnes last year. If East Coast buyers do feel constrained to boost imports this season, the main beneficiaries will probably be Chile, New Zealand, and Canada.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

	(tonnes)
Aluminium	−2,075 to 117,675
Copper	+1,775 to 175,850
Lead	−800 to 28,350
Nickel	−550 to 6,472
Tin	−300 to 42,135
Zinc	−1,250 to 23,575
	(ounces)
Silver	−828,000 to 24,390,000

The EEC's dairy desperation

John Cherrington examines the latest attempt to curb dairy stocks

THE EUROPEAN Commission's latest stab at cutting Community expenditure on milk support bears the hallmarks of increasing desperation.

And rightly so. EEC spending on milk at present amounts to an annual Ecu 6.6bn—or Ecu 241 per Community cow. About 1.5m tonnes of butter and 1m tonnes of skimmed milk powder are sitting in intervention and other stores with no discernible market. Stocks have continued to rise in spite of a small reduction of milk deliveries to dairies following the introduction of milk quotas in 1984. The recent steady fall in consumption of both butter and liquid milk is continuing.

Heavy fine

Equally, the Commission's new plans, which are being discussed at this week's ministerial council meeting in Brussels, have provoked predictable cries of outrage from farmers' organisations—and nowhere more so than in Britain. On top of the 2m tonne reduction in quota to 97m tonnes by the end of 1988 which has already been agreed, these call for another cut of 4m to 5m tonnes over the next three years. Even if this came about it would still leave a sizeable surplus of production over consumption.

The proposals have attracted heavy fire in the UK because they could deprive British farmers of the favourable treatment they receive at present in the management of quotas. Instead of being allocated to individual farms, quotas are channeled through the UK's five Milk Marketing Boards. This means that in the event of surplus production the penalties do not fall on over-producers in full but are shared out between all producers, both those under and over their limit.

At present milk production under the Milk Marketing Board of England and Wales is running some 4 per cent over quota. This, according to the Board, will mean that producers who will still be over quota at the end of the milk year in April will have to pay a levy of about 6p a litre on the amount they are over quota. Those under quota would receive the full price.

The Commission is seeking to remove this option, and instead to impose a direct levy of 80 or even 100 per cent on those individuals who are actually over quota.

This has caused a swift reaction both from the Board and the National Farmers' Union. Sir Steve Roberts, the Board's chairman, while recognising the need for the budgetary cost to be reduced, claims that the latest proposals would mean a cut of around 10 per cent for every one.

More serious

Mr Simon Gourlay, president of the NFU, is particularly worried about the knock-on effect of farmers being forced to reduce their dairy interests and turning to other forms of production which are themselves already in surplus. There is in fact very little to which dairy farmers can turn. The beef surplus is already a serious problem and any reduction in dairy cattle is bound to push more beef on the market. The sheepmeat regime is running into a dangerous financial situation, and the scope for cereal production is under great pressure already.

Even more serious, from the Board's point of view, is the suggestion from the Commission that at certain times of the year Intervention buying of butter and skimmed milk powder should be suspended. According to Mr Frans Andriessen, the former commissioner, too much reliance is being placed on intervention as an outlet and in many cases no real attempt is being made to look for other markets. There is a good deal of truth in this. But on the other hand, faced with overwhelming supplies for which there is no possible viable outlet, what are the processors to do?

The point out that a suspension of intervention buying would cause a major crisis in all dairy markets which could have serious political and social results.

The British farmers' viewpoint is best summed up by the demand made recently by the Milk Board's vice-chairman Mr Richard Smith, that there should be a rearrangement of national quotas. He points out that the British share of the quota per head of the population, is about half that of France and even less than that of Holland, and he argues that Britain should have a larger quota on the grounds that it is not self-sufficient in milk. Understandably, no other EEC member state agrees.

On a more realistic note both the Board and the NFU recognise that there is too much milk for a declining market, and are calling for a realistic outgoers scheme. There is one at present, sponsored both by the EEC and the Ministry of Agriculture, but that so far has only attracted a handful of farmers. On the other hand prudent farmers have been buying quota on a free market at increasing prices. A week or two ago a litre of quota was worth about 20p. This is already higher than the money paid under the outgoers scheme, but during last week I understand that figures almost double that were being quoted.

Mr Gourlay has suggested that the set-aside principle should be applied to dairying land, so that there would be no chance of land free from dairy farming being transferred to other products in surplus. The effects of such a policy on individual dairy farmers would be very serious indeed. Most of them are fairly small businesses and to have 10 per cent of their productive resources taken from them could be crippling.

Violent reactions

It would also cause violent reactions in other member states where farms are much smaller and, because of greater numbers, much more effective politically. No one really has had much sympathy for cereal growers facing the prospects of cutbacks; in fact, the large-scale operators in the UK and France are generally envied for their evident prosperity in the past.

But how does one persuade the average European dairy farmer, with a herd about a third the size of the British average, that it is in the best interests of all that he should cut his production by 10 per cent over the next few years?

LONDON MARKETS

THE LONDON robusta coffee futures market dropped further yesterday following its recent sharp decline, with the second position dipping below £2,000 a tonne for the first time since mid-August. January coffee closed at £1,999 a tonne, down £46 from Friday. Dealers said uncertainty continued to reign about the export policies of Brazil, the largest producer and exporter which last week announced price discounts, then said it was halving its planned sales in December. Traders in Brazil say the recent moves have failed to boost its sales, and prices on its domestic market remain well in excess of international levels. Market sentiment in London continues to be dampened by fears that the Brazilians will re-sell coffee they bought in Europe to meet an anticipated shortfall. On the London Metal Exchange, the lead price rose £2 to close at £334.50, its highest level in 19 months. The market is being underpinned by fears of supply tightness during the winter.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Nov. 17	Nov. 14	M'th ago	Year ago
1608.1	1617.1	1568.5	1724.5

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Nov. 14	Nov. 13	M'th ago	Year ago
Spot	120.14	121.37	[illegible]	120.35
Fut	118.47	119.66	[illegible]	120.86

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 17 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1210/1230	−10	$1275/1295
Copper			
Cash Grade A	£907.0	−6.0	£917.25
3 mths	£930.75	−3.0	£941.25
Gold troy oz	$391.125	−17.375	$429.25
Lead Cash	£334.5	+2.0	[illegible]
3 mths	£328.5	[illegible]	[illegible]

ALUMINIUM

Official closing (am): Cash 795-9.5 (799-9.5); three months 805.5-6.5 (809.5-10); settlement 799.5 (799.5). Final Kerb Close: 807.5-8. Turnover: 12,800 tonnes.

COPPER

Official closing (am): Cash 905.5-6 (911-1.5); three months 931-1.5 (932-3.5); settlement 906 (911.5). Final Kerb Close: 932-3.

LEAD

Official closing (am): Cash 335-6 (328-30); three months 327.5-7.75; settlement 336 (330). Final Kerb Close: 327.5-8.5. Turnover: 8,200 tonnes. US Spot 24/27 cents per pound.

NICKEL

Official closing (am): Cash 2535-40 (2540-5); three months 2565-7 (2575-9); settlement 2540 (2545). Final Kerb Close: 2575-78. Turnover: 138 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 15.94 (16.24) ringgit per kg. Up 0.7 ringgit per kg.

ZINC

Official closing (am): Cash 576.5-7 (579-8.5); three months 582.5-3 (585-6); settlement 577 (579.5). Final Kerb Close: 583-4. Turnover: 9100 tonnes. US Prime Western: 44/50.75 cents per pound.

GOLD

Gold fell sharply on the London bullion market yesterday, reflecting a loss of confidence in precious metals after a sell off in New York on Friday. [illegible]

SILVER

Silver was fixed 13.5p an ounce lower for spot delivery in the London bullion market yesterday, at 395.85p. [illegible]

COFFEE

After a quiet morning, pressure from the New York market forced London to follow suit encouraging further liquidation reports Drexel Burnham Lambert. With a total disinterest for physical coffee the market failed to find any major support and with the technical situation firmly set in a downtrend the market closed on the lows in moderate volume.

Sales: 5,781 (6,461) lots of 5 tonnes. ICO Indicator prices (US cents per pound) for November 14: Comp. daily 1979 146.47 (150.97); 15-day average 157.51 (158.71).

COCOA

Futures drifted in a narrow range throughout a featureless day and ended the afternoon session £7 off the previous close. With both producers and consumers unwilling to re-enter the market at current levels no physical business was apparent, reports Gill and Duffus.

Sales: 2,003 (2,338) lots of 10 tonnes. ICCO indicator prices (US cents per pound). Daily price for November 17: 94.76 (93.89); Five-day average for November 18: 92.98 (92.32).

POTATOES

The market was initially firmer on opening before keen selling pressure pushed values down to test old support levels of around £149-£150 basis April. [illegible]

GRAINS

Old crop markets again in quiet trading conditions attracted short covering. [illegible]

MEAT

FUTURES—Live cattle: Nov 98.30, March 96.50. Sales: 2. Pigs: Nov 101.40, Feb 97.00, April 97.00, June 97.50. Sales: 11.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.27p per kg lw (−0.20). GB—Sheep 157.95p per kg est dcw (+4.05). GB—Pigs 78.00p per kg lw (+0.27).

SOYABEAN MEAL

Sales: 100 (23) lots of 20 tonnes.

COTTON

LIVERPOOL—Spot and shipment sales for the week ended November 14 amounted to 1,225 tonnes compared with 470 tonnes in the previous week. Slow trading brought dealings in Chinese, Colombian, West African, Turkish, Sudan and American varieties.

US MARKETS

PRECIOUS METALS futures were sharply lower today as the carry over of some Far Eastern selling, primarily by Hong Kong, was impetus for strong technical trade selling and local short covering in New York, reports Heinold Commodities. Gold basis December closed at $389.2 per ounce which was $10 down on Friday's close. Platinum futures also lost nearly $10 after trading limit down in the previous session in Tokyo. Coffee futures made substantial losses under fast-market conditions as speculator selling was augmented by heavy price-fix selling by origins. Prices opened up to 100 points lower and downside momentum was increased when Commission House sell-stops were activated at 137.50c, to leave the December basis contract closing price at 147.97c.

NEW YORK

CHICAGO

OIL

Sellers of dated North Sea crudes asked $15 and above but buyers were reluctant at these levels. Trade in forward Brent was thin. December WTI opened 11c up on Nymex and traded 32 up at 1.30 pm EST. In the petroleum products market gasoil firmed initially but returned to Friday's levels by the close. Mogas weakened on lack of buyers. Naptha was quiet and stable; fuel oil was firm. Petroleum Argus London.

GAS OIL FUTURES

HEAVY FUEL OIL

LEADED GASOLINE

RUBBER

PHYSICALS—The London market opened slightly easier, drifted lower throughout the day, closing idle, reports Lewis and Peat. [illegible]

SUGAR

LONDON DAILY PRICE—Raw sugar $146.50 (£102.50), down $3.00 (down £2.00) a tonne for November-December delivery. White sugar $186.00, up $3.00.

Reports that Cuba was attempting to re-sell sugar taken up off October expiry produced an easier market, reports C. Czarnikow.

FREIGHT FUTURES

TEA

As the London tea auction there were 28,000 packages on offer in this week's sale including 3,200 packages in the offshore section. Less demand and a very selective market. [illegible]

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound improve

THE DOLLAR improved a little in nervous, but quiet foreign exchange trading. Dealers were rather concerned about the implications of statements from US and Japanese officials about the respective values of the dollar and the yen, but noted that Mr Kiichi Miyazawa, Japanese Finance Minister, said the yen is still too strong, while Mr Paul Volcker, chairman of the US Federal Reserve, suggested the dollar may be near appropriate levels.

News that US business inventories fell 0.3 per cent in September, unchanged from the revised August fall, underlined fears the US economy is sluggish, but had little impact on the dollar. The most important test for the dollar this week is likely to come from Wednesday's revision of third quarter US gross national product, which was reported in late October at 2.4 per cent.

The dollar rose to DM 2.0130 from DM 2.0030; to SFr1.6740 from SFr1.6620; to FFr6.5925 from FFr6.5625; and to Y162.75 from Y161.45.

On Bank of England figures the dollar's index rose to 111.2 from 110.7.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3780. October average 1.4278. Exchange rate index rose 0.2 to 68.5, compared with 76.0 six months ago.

Sterling gained ground in general and had a firm undertone throughout. Friday's news that the Organisation of Petroleum Exporting Countries intends to return to fixed prices as soon as possible, and is looking for an oil price of $18 a barrel underpinned the pound. Sterling eased 10 points to $1.4280-1.4290 but rose to DM 2.8750 from DM 2.8625; to SFr2.3850 from SFr2.3750; to FFr9.4175 from FFr9.38; and to Y232.50 from Y230.75.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. October average 2.0032. Exchange rate index 142.7 against 134.9 six months ago.

The D-mark weakened against the dollar in cautious Frankfurt trading. Fear of intervention by the West German Bundesbank if the dollar fell below DM 2.00 prevented any strong selling of the US currency, but dealers were nervous that this week's US economic statistics will be weak. There was particular concern about tomorrow's revision of third quarter US GNP growth. Local markets will be closed for a public holiday tomorrow and this encouraged dealers to keep square positions, in case the GNP figure shows a marked change from the earlier figure of 2.4 per cent growth. At the Frankfurt fixing the Bundesbank did not intervene, when the dollar eased slightly to DM 2.0096 from DM 2.0118. The dollar closed at DM 2.0155 compared with DM 2.0105 on Friday.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. October average 156.36. Exchange rate index 205.1 against 206.9 six months ago.

The yen lost ground to the dollar in quiet, but confused trading. Mr Kiichi Miyazawa, Japanese Finance Minister, said the yen is still too strong for the Japanese economy. A senior official at the Bank of Japan was reported as saying the yen is not too low but would have to remain relatively strong to reduce Japan's balance of payment surplus. Over the weekend Mr Paul Volcker, chairman of the US Federal Reserve Board, suggested the dollar may be around an appropriate level against currencies such as the yen. In rather confused trading the dollar rose to Y162.50 in Tokyo from Y161.55 on Friday. A report about the assassination of the President of North Korea provided the dollar with some nervous support.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.3085	+0.45	+1.07	± 1.5368
Danish Krone	7.81701	7.86556	+0.62	+1.24	± 1.6403
German D-Mark	2.11083	2.08364	−1.29	−0.67	± 1.1127
French Franc	6.87316	6.82338	−0.72	−0.10	± 1.3659
Dutch Guilder	2.37833	2.35402	−1.02	−0.40	± 1.5059
Irish Punt	0.764976	0.764267	−0.09	+0.53	± 1.6683
Italian Lira	1476.95	1443.10	−2.29	−1.96	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 17	Latest	Previous Close
£ Spot	1.4290-1.4300	1.4285-1.4295
1 month	0.56-0.53 pm	0.61-0.60 pm
3 months	1.79-1.74 pm	1.78-1.76 pm
12 months	6.35-6.25 pm	6.44-6.36 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		Nov. 17	Previous
8.30	am	68.4	68.2
9.00	am	68.5	68.3
10.00	am	68.4	68.3
11.00	am	68.4	68.4
Noon		68.4	68.3
1.00	pm	68.4	68.3
2.00	pm	68.3	68.2
3.00	pm	68.4	68.4
4.00	pm	68.5	68.3

POUND SPOT—FORWARD AGAINST THE POUND

Nov. 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4245-1.4305	1.4280-1.4290	0.57-0.54c pm	4.66	1.79-1.74 pm	4.94
Canada	1.9755-1.9815	1.9780-1.9790	0.44-0.34c pm	2.37	1.33-1.18 pm	2.54
Netherlands	3.24¼-3.25¼	3.24¾-3.25¾	1½-1¼c pm	5.08	4⅝-4⅜ pm	5.54
Belgium	59.65-59.82	59.65-59.75	20-15c pm	3.52	60-51 pm	3.72
Denmark	10.84-10.86¼	10.85¼-10.86¼	1-⅛ore pm	0.76	2½-1¼ pm	0.78
Ireland	1.0522-1.0565	1.0535-1.0545	0.16-0.34p dis	−2.85	0.55-0.84 dis	−2.64
W. Germany	2.87-2.88	2.87-2.88	1⅝-1½pf pm	6.52	4⅝-4⅜ pm	6.26
Portugal	211.55-212.78	211.77-211.64	80-130c dis	−5.94	220-370 dis	−5.57
Spain	193.20-193.77	193.28-193.156	10-60c dis	−2.16	30-130 dis	−1.65
Italy	1986¼-1995	1991½-1992½	2pm-1 lire dis	0.30	3 pm-1 dis	0.20
Norway	10.70¾-10.73	10.72-10.73	3⅛-3¾ore dis	3.85	9⅝-10¼ dis	−3.71
France	9.40-9.42¾	9.41¼-9.42¼	2⅛-1⅝c pm	2.55	5¼-4⅞pm	2.26
Sweden	9.89¾-9.92	9.90½-9.91½	1⅞-1⅜ ore pm	1.97	6⅛-5⅝pm	2.37
Japan	232-233	232-233	1⅜-1⅛y pm	6.45	3⅞-3½ pm	6.34
Austria	20.20-20.27	20.24-20.27	9⅞-8⅝gro pm	5.48	28¾-24⅝ pm	5.22
Switzerland	2.38½-39¾	2.38¾-2.39¾	1⅝-1⅜ c pm	7.52	4⅞-4⅝ pm	7.11

Belgian rate is for convertible francs. Financial franc 60.10-60.20. Six-month forward dollar 3.50-3.45 c pm. 12-month 6.40-6.30 c pm

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Nov. 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4225-1.4305	1.4280-1.4290	0.57-0.54c pm	4.66	1.79-1.74 pm	4.94
Ireland†	1.3515-1.3573	1.3535-1.3545	0.95-0.85c pm	7.97	2.80-2.60 pm	7.97
Canada	1.3840-1.3875	1.3835-1.3845	0.26-0.29c dis	−2.38	0.84-0.89 dis	−2.50
Netherlands	2.2670-2.2780	2.2735-2.2745	0.10-0.08c pm	0.48	0.34-0.31pm	0.57
Belgium	41.70-41.90	41.75-41.85	3-5c dis	−1.15	11-15 dis	−1.25
Denmark	7.57-7.61¾	7.60¼-7.61¼	1.70-2.20ore dis	−3.09	5.60-7.10 dis	−3.35
W. Germany	2.0050-2.0170	2.0125-2.0135	0.28-0.25pf pm	1.58	0.69-0.64 pm	1.32
Portugal	148¼-149	148½-148¾	115-140c dis	−10.30	340-420 dis	−10.23
Spain	135.10-135.65	135.10-136.45	60-90c dis	−6.21	190-240 dis	−6.36
Italy	1389-1396½	1394¾-1394¾	4½-5½lire dis	−4.31	16-17½dis	−4.81
Norway	7.47-7.51	7.50½-7.51	5.30-5.60ore dis	−8.73	16.65-16.95dis	−8.97
France	6.57-6.60¼	6.59-6.59½	1.10-1.20c dis	2.10	4.30-4.60 dis	−2.71
Sweden	6.91¾-6.94	6.93½-6.94	1.60-1.80 ore dis	−2.94	4.75-5.05 dis	−2.83
Japan	162-163.10	162.70-162.80	0.25-0.21 y pm	1.70	0.60-0.55 pm	1.41
Austria	14.11¾-14.19	14.16¾-14.17¼	1.20-0.70gro pm	0.81	2.90-par pm	0.28
Switzerland	1.6660-1.6760	1.6735-1.6745	0.43-0.38 c pm	2.91	0.98-0.88 pm	2.71

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.05-42.15.

CURRENCY RATES

Nov. 17	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.725465
U.S. Dollar	5.5	1.2022	1.03596
Canadian $	8.58	*	1.43512
Austrian Sch.	4	N/A	14.6672
Belgian Franc	8	"	43.3085
Danish Kroner	[illegible]	[illegible]	7.86556
Deutsche Mark	3½	[illegible]	2.08364
Neth. Guilder	4½	[illegible]	2.35402
French Franc	9½	[illegible]	6.82338
Italian Lira	12	[illegible]	1443.10
Japanese Yen	3	193.96	168.655
Norway Krone	8	N/A	7.76611
Spanish Peseta	—	"	140.218
Swedish Krona	7½	"	7.18079
Swiss Franc	4	"	1.73110
Greek Drach.	20½	"	143.440
Irish Punt	—	"	0.764267

* C$/SDR rate for Nov. 14; 1.66536

CURRENCY MOVEMENTS

November 17	Bank of England Index	Morgan Guaranty Changes %
Sterling	68.5	−25.0
U.S. Dollar	111.2	+3.2
Canadian Dollar	77.5	−12.6
Austrian Schilling	133.5	+9.2
Belgian Franc	97.5	−5.7
Danish Krone	90.0	+2.3
Deutsche Mark	142.7	+19.7
Swiss Franc	166.6	+20.7
Guilder	130.9	+13.0
French Franc	70.8	−12.6
Lira	48.2	−15.5
Yen	205.1	+52.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Nov. 14	£	$
Argentina	1.6385-1.6450	1.1490-1.1530
Australia	2.2165-2.2205	1.5555-1.5570
Brazil	19.19-20.11	14.02-14.09
Finland	7.0245-7.0350	4.9260-4.9280
Greece	195.88-199.32	137.09-139.41
Hong Kong	11.1480-11.1580	7.7990-7.8010
Iran	109.30*	76.70*
Kuwait	0.4175-0.4180	0.29280-0.29300
Luxembourg	59.65-59.75	41.75-41.85
Malaysia	3.7330-3.7390	2.6115-2.6135
N. Zealand	2.7695-2.7735	1.9380-1.9435
Saudi Ar.	5.3470-5.3515	3.7495-3.7500
Singapore	3.1330-3.1370	2.1915-2.1935
S. Af. (Cm)	[illegible]	[illegible]
S. Af. (Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

EURO-CURRENCY INTEREST RATES

Nov. 17	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10½-10¾	10⅝-10⅞	10⅞-11	11⅛-11¼	11⅛-11⅜	11⅛-11⅜
U.S. Dollar	6-6⅛	5⅞-6⅛	5⅞-6⅛	5⅞-6⅛	5⅞-6⅛	6⅛-6⅜
Can. Dollar	7¾-8¼	7¾-8¼	8⅛-8⅞	8¼-8½	8⅜-8⅝	8⅜-8⅝
D. Guilder	5¼-5⅞	5½-5⅝	5½-5⅝	5⅜-5⅝	5⅜-5⅝	5⅜-5⅝
Sw. Franc	1-1¼	⅞-1⅛	2⅞-3⅛	3⅞-3⅞	3⅞-4	3⅞-4
Deutschmark	4⅜-4⅝	4½-4⅝	4½-4⅝	4⅝-4¾	4⅝-4⅞	4⅝-4⅞
Fr. Franc	7¼-7⅞	7⅜-7½	7⅝-7⅞	8⅜-8½	8⅜-8⅞	8⅜-8½
Italian Lire	8½-9½	9¼-10¼	10-10½	10¼-10¾	10⅜-10⅞	10⅜-10⅞
B. Fr. (Fin.)	7-7¼	7-7¼	7⅛-7⅜	7¼-7½	7⅜-7⅝	7⅜-7⅝
B. Fr. (Con.)	6⅞-7⅜	7-7½	7-7½	7¼-7⅝	7¼-7¾	7¼-7¾
Yen	4⅜-4½	4⅜-4⅝	4⅜-4½	4⅝-4⅞	4⅝-4⅞	4⅝-4⅞
D. Krone	9-9½	9¼-9¾	9⅝-10⅛	10-10½	10⅛-10⅝	10¼-10¾
Asian $(Sing.)	6-6⅛	6-6⅛	6-6⅛	6-6⅛	6-6⅛	6⅛-6⅜

Long-term Eurodollars: Two years 6⅜-6⅝ per cent; three years 7⅛-7⅜ per cent; four years 7⅝-7⅞ per cent; five years 7⅞-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov 17	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1	1.429	2.875	232.5	9.418	2.393	3.248	1992.	1.979	59.70
$	0.700	1	2.013	162.8	6.593	1.674	2.274	1395.	1.385	41.80
DM	0.348	0.497	1	80.87	3.276	0.832	1.130	692.9	0.688	20.77
YEN	4.301	6.144	12.37	1000	40.51	10.29	13.97	8568.	8.510	256.8
F Fr.	1.062	1.517	3.053	246.9	10	2.540	3.448	2115.	2.101	63.39
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]
H FL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1000	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Credit hopes boost US bonds

PRICES ROSE slightly on the London International Financial Futures Exchange yesterday, reacting to hopes of easier credit policy by the US Federal Reserve after renewed signs of weakness in the US economy. Last Friday's figures on retail sales, industrial production and retail prices were disappointing from the view of strong growth and the fall of 0.3 per cent in September business inventories added to the general picture, when it was announced yesterday.

December US Treasury bonds opened at 97-29, and traded within a range of 97-21 to 98-09, before closing at 98-06, compared with 97-07 on Friday.

The firmer tone was also encouraged by a sharp fall in the price of precious metals, with platinum retreating below $500 and gold below $400.

Volume in December bond futures on Liffe was consistent with recent levels, at 2,301, but there was some reluctance to trade ahead of tomorrow's revised figure on US third quarter gross national product growth, and the possibility it may be revised down from the earlier estimate of 2.4 per cent.

Hopes of lower US interest rates supported three-month Eurodollar deposit futures. December delivery opened firm at 93.97, and moved within a narrow range of 93.95 to 93.99, closing at 93.98, against the previous settlement of 93.92.

Opec's aim to return to fixed oil prices and a target of $18 a barrel helped support sterling, and this in turn added confidence to sterling dominated interest rate contracts on Liffe.

December long-term gilt futures opened at 108-12 and after touching 108-15, closed at 108-08, compared with 108-04 on Friday.

Three-month sterling deposit futures for December closed near the day's high at 88.80, against 88.74 previously, in spite of the lack of movement in interest rates on the London money market, where dealers remain sceptical about the prospects for an early cut in bank base rates.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

LONDON SE £/$ OPTIONS

LIFFE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LONDON

20-YEAR 12% NOTIONAL GILT

20% NOTIONAL SHORT GILT

THREE-MONTH STERLING

THREE-MONTH EURODOLLAR

FT-SE 100 INDEX

THREE-MONTH EURODOLLAR

U.S. TREASURY BONDS 8%

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

IMM—STERLING

LIFFE—STERLING

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

U.S. TREASURY BILLS (IMM)

SWISS FRANC (IMM)

JAPANESE YEN (IMM)

DEUTSCHE MARK (IMM)

THREE-MONTH EURODOLLAR (IMM)

STANDARD & POORS 500 INDEX

MONEY MARKETS

London rates ease in quiet trading

INTEREST RATES had a slightly softer tone on the London money market yesterday. Periods from three-months to one-year were quoted at 11⅛-11⅛ per cent, compared with 11⅛-11¼ per cent on Friday, but trading was very quiet. There were no new factors. Sterling traded steadily on the foreign exchanges, supported by hopes of higher oil prices, but dealers continued to doubt whether there would be any early cut in UK base rates, from the level of 11 per cent. The market was faced with a fairly large credit shortage yesterday, and discount houses took the opportunity to sell mainly long dated paper to the authorities, suggesting continued nervousness about the interest rate picture.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England initially forecast a money market shortage of £750m, but revised this to £800m at noon and to £850m in the afternoon. Assistance of £788m was provided.

In an early round of help the authorities bought bills totalling £136m, by way of £23m bank bills in band 1 at 10⅝ per cent; and £28m bank bills in band 2 at 10⅝ per cent; and £85m bank bills in band 4 at 10⅞ per cent.

Further assistance was provided before lunch when the authorities purchased £205m bills, through £2m bank bills in band 2 at 10⅞ per cent; £7m bank bills in band 3 at 10⅝ per cent and £196m bank bills in band 4 at 10⅞ per cent.

In the afternoon the Bank of England bought £226m bills, by way of £13m bank bills in band 1 at 10⅝ per cent; £90m bank bills in band 2 at 10⅝ per cent; £30m bank bills in band 3 at 10⅝ per cent and £93m bank bills in band 4 at 10⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £746m, with Exchequer transactions absorbing £335m, and bank balances below target, another £15m. These outweighed a fall in the note circulation adding £335m to liquidity.

In Frankfurt the West German Bundesbank offered further assistance to the domestic money market when a securities repurchase agreement expires later this week. The central bank set a tender for a new agreement at a minimum rate of 4.30 per cent. Banks will make their bids today for an agreement running 27 days. This is one day shorter than usual, and successful applicants will be credited with the money on Thursday, because of a public holiday in West Germany tomorrow.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.17) 3 months U.S. dollars — bid 5⅞ — offer 6⅛ — 6 months U.S. dollars — bid 5⅞ — offer 6⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Treasury Bills and Bonds

LONDON MONEY RATES

Treasury Bills (sell); one-month 10⅜ per cent; three-months 10⅜ per cent; Bank Bills (sell); one-month 10⅜ per cent; three months 10⅜ per cent; Treasury Bills; Average tender rate of discount 10.6398 p.c. ECGD Fixed Finance Scheme IV reference date October 8 to 31 (inclusive): 11.257 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from November 1, 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10⅞ per cent; one-three months 11 per cent; three-six months 11⅛ per cent; six-nine months 11⅛ per cent; nine-12 months 11⅛ per cent; Under £100,000 10⅜ per cent from November 14. Deposits held under Series 5 10⅜ per cent. Deposits withdrawn for cash 5½ per cent.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on November 17, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (bk) bankers' rates; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102⅞	100⅛	Exch. 13¼pc 1987	100⅛	–⅛	[illegible]	11.77
[illegible]	97⅛	Treas 10½pcCv '87	99⅛	.....	[illegible]	10.90
[illegible]	92⅞	Exch 2½pc 1987	98⅛	+⅛	[illegible]	8.36
101⅝	97⅞	Exch. 10½pc 1987	99⅞	.....	[illegible]	11.17
[illegible]	93⅞	Funding 6½pc 85-87	98⅛	.....	[illegible]	10.16
[illegible]	96⅞	Treas. 10pc 1987	99⅛	.....	[illegible]	11.16
[illegible]	90⅞	Treas 3pc 1987	96⅝	+⅛	3.1	8.39
97⅞	99⅝	Treas. 12pc 1987	100⅛	–⅛	11.[illegible]	11.06
[illegible]	92⅞	Treas 7¾pc 1985-88‡‡	96⅞	+⅛	7.[illegible]	10.59
104	96⅝	Exch 10½pc '88	99⅛	–⅛	[illegible]	11.16
[illegible]	95⅞	Treas 9¾pc Cv '88	98⅞	+⅛	9.[illegible]	11.21
[illegible]	86⅞	Transport 3pc '78-88	91⅞	+⅛	[illegible]	8.47
102½	93⅞	Treas. 9½pc '88	97⅛	+⅛	9.79	11.23
107⅛	98⅛	Treas 11½pc 1989	100⅛	+⅛	11.46	11.27
105½	93⅝	Treas 9½pc Cov 1989	96⅛	–⅛	9.86	11.29
92⅝	82⅞	Treas 3pc 1989	87¾	+⅛	3.42	8.58
105⅛	95⅞	Treas 10½pc 1989	98⅛	.....	10.68	11.30
104⅛	94½	Exch 10pc 1989	96⅞	–⅛	10.32	11.33
107⅛	97	Exch 11pc 1989	99⅛	+⅛	11.08	11.28
95⅞	84½	Treas 5pc 1986-89	88¼	+⅛	5.67	9.73
110⅞	94⅝	Exch 10¼pcCv '89	99⅝	–⅛	10.29	10.39
114⅛	103⅛	Treas 13pc 1990‡‡	104⅛	.....	12.46	11.29
108⅝	97⅝	Exch 11pc 1990‡‡	99⅝	+⅛	11.08	11.24
113⅛	101⅞	Exch. 12½pc 1990	103¼	.....	12.11	11.30
[illegible]	79⅝	Treas. 3pc 1990	83⅝	+⅛	[illegible]	8.56
100⅛	89⅞	Treas 8¼pc 1987-90‡‡	93⅛	+⅛	[illegible]	10.61
[illegible]	93	Treas. 10pcCv 1990	95⅞	.....	[illegible]	11.32
86⅛	76⅛	Exch 2½pc 1990	80⅛	+⅛	[illegible]	8.42
112⅛	99⅞	Treas 11¾pc 1991	101⅛	–⅛	[illegible]	11.34
[illegible]	83⅛	Funding 5¾pc '87-91‡‡	86⅞	+⅛	[illegible]	9.48
[illegible]	79⅛	Treas. 3pc 1991●	79¾	+⅛	[illegible]	8.53
[illegible]	[illegible]	Treas 10pcCv'91(£40pd)	40	.....	[illegible]	10.97
[illegible]	[illegible]	Exch. 11pc 1991	99⅛	–⅛	[illegible]	11.24

Five to Fifteen Years

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	105⅝	Treas 12¾pc 1992‡‡	105⅛	–⅛	[illegible]	11.39
[illegible]	92⅞	Treas 10pc 1992	94⅛	+⅛	[illegible]	11.34
[illegible]	94⅞	Treas 10½pc Cv 1992‡‡	96⅞	+⅛	[illegible]	11.32
[illegible]	101⅛	Exch. 12¼pc '92	103⅝	–⅛	[illegible]	11.47
[illegible]	106⅞	Exch 13½pc 1992	108⅛	.....	[illegible]	11.52
108	94	Treas 10pc 1993‡‡	94⅛	–⅛	[illegible]	11.30
[illegible]	103⅛	Treas 12½pc 1993‡‡	104¼	–⅛	[illegible]	11.44
92	78⅞	Funding 6pc 1993‡‡	82⅞	+⅛	7.[illegible]	9.44
[illegible]	109⅛	Treas 13¾pc 1993‡‡	110⅞	+⅛	[illegible]	11.53

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1986 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
37⅛	28⅛	Chemical New York	30⅛	–⅛	$2.60	—	[illegible]
35⅛	26⅛	Chesebrough-Pond's $1	34⅛	+1⅛	$2.00	—	[illegible]
31⅛	19⅝	Chrysler $6¼	26⅛	–⅛	$1.40	—	[illegible]
42⅛	33⅛	Citicorp $4	35⅛	+⅛	$2.46	—	[illegible]
12⅛	774p	CityFed Fin. Corp.	927p	+7	40c	—	[illegible]
28⅛	21⅛	Colgate-Palmolive $1	28⅛	+⅛	$1.36	—	[illegible]
850p	6⅛	Colt Inds. $1	6⅛	.....	$2.50	—	[illegible]
25⅛	16⅛	Cons Freightways $0.625	22⅞	+⅛	82c	—	[illegible]
819p	399p	Contl Illinois Corp $1	411p	+9	—	—	—
89⅛	11⅛	Cont Illinois Hldgs $1	26p	.....	—	—	—
112p	39p	Corporate Data Scnce	184p	–3	—	—	—
13⅛	435p	Cullinet Sftwr $0.1	586p	+8	—	—	—
287p	34p	Dawson Oil 40c	57p	+9	—	—	—
24⅛	17⅛	Dana Corp. $1	24⅛	+⅛	$1.28	—	[illegible]
33⅛	18⅛	Data General	21⅞	–⅛	—	—	—
[illegible]	8⅛	Derma-Lock Medical	12p	.....	—	—	—
79	55⅛	Dun & Bradstreet $1	75⅛	–⅛	$2.56	—	[illegible]
54⅛	42⅛	Eaton Corpn. 50c	51⅞	–⅛	$1.60	—	[illegible]
25½	18⅛	FPL Group $0.01	24	–⅛	$2.04	—	[illegible]
13⅛	625p	Fairmont Financial	11½	+⅛	—	—	—
24⅛	16⅞	First Chicago $5	22⅛	+⅛	$1.32	—	[illegible]
42⅛	25⅛	Ford Motor $2	38⅛	–⅛	$2.60	—	[illegible]
28⅛	20	GATX 62½c	22⅛	–⅛	$1.50	—	[illegible]
55⅛	47⅛	Gen. Elect. $1¼	53⅞	+⅛	$2.32	—	[illegible]
16⅛	612p	General Host Corp $1	10⅛	–⅛	[illegible]	—	[illegible]
41⅛	24	Gillette $1	40⅛	.....	$2.7[illegible]	—	[illegible]
15⅛	10	Gt Am First Svgs Bk $1	13	+⅛	[illegible]	—	[illegible]
31⅞	23⅛	Gt. Western Fin. $1	28⅛	+⅛	[illegible]	—	[illegible]
25⅛	18⅛	Greyhound $1.50	23⅛	+⅛	[illegible]	—	[illegible]
20⅛	11⅛	Hasbro Inc $0.50	16⅛	+⅛	[illegible]	—	[illegible]
57⅛	42	Honeywell $1.50	49⅛	+⅛	[illegible]	—	[illegible]
28	22⅞	Hospital Corp Am $1	24⅛	–⅛	[illegible]	—	[illegible]
24⅞	19⅛	Houston Inds Incl	24⅛	+⅛	[illegible]	—	[illegible]
112⅛	83⅞	IBM Corpn $1.25	84⅞	+⅛	[illegible]	—	[illegible]
19⅛	12⅛	IC Industries	18⅛	+⅛	[illegible]	—	[illegible]
38⅛	25⅞	ITT Corpn. $1	37⅛	+⅛	[illegible]	—	[illegible]
314p	141p	Imatron Inc	150p	.....	—	—	—
46⅞	34⅛	Ingersoll-Rand $2	39⅛	+⅛	[illegible]	—	[illegible]
16⅞	12⅛	Insilco $1	15⅞	+⅛	[illegible]	—	[illegible]
12⅛	806p	IU Intnl. $1.15	9⅛	+⅛	[illegible]	—	[illegible]
40⅛	29⅛	Lockheed Crpn. $1	38⅝	+5⅛	[illegible]	—	[illegible]
24	18⅝	Lone Star Inds $1	21⅛	+⅛	[illegible]	—	[illegible]
22⅛	15⅛	Louisiana Land $0.15	28⅛	+⅛	[illegible]	—	[illegible]
28	15⅛	Lowe's 50c	18⅛	–⅛	[illegible]	—	[illegible]
38⅛	28⅞	Manuf. Hanover $7½	30⅛	+⅛	[illegible]	—	[illegible]
30⅛	21⅛	Merrill Lynch $1	27⅛	+⅛	[illegible]	—	[illegible]

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

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DRAPERY & STORES—Cont.

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FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
182	70	Midsec 10p	76	.....	12.46	2.6	4.6	11.7
78½	45	Mitchell Cotts	57½	−1½	1.5	2.1	3.7	14.9
124	81	Monks & Crane 10p	118	.....	12.7	2.9	3.2	14.4
323	210	Morgan Crucible	315xd	.....	18.5	1.5	3.0	20.9
29½	15½	Morris (W) F.A. 20p	16½	−1	—	—	—	—
156	65	Myson Grp 10p	156	+1	12.63	2.6	2.4	20.1
365	230	NMW Computers	260	+5	16.0	3.0	3.2	15.0
96	27	Nash Inds.	86	+3	10.5	—	0.8	—
*27½	12½	Neil & Spencer 10p	13½	.....	—	—	—	—
39	20	Newman Inds 10p	37	+1	10.8	1.5	3.0	28.3
134	65	Noble & Lund 10p	98		0.7	4.3	1.0	32.3
65	39	Nolton	51	−1	1.2	♦	3.4	♦
155	96	Norank Systems 5p	139		m1.5	—	1.5	17.8
286	187	Norcros	251	+2	9.5	2.2	5.2	12.0
195	49	Nu-Swift 5p	291		13.5	2.1	2.6	25.7
£356½	£228	OCE 9pc Cnv 1987-92	£304½	+7	Q9%	—	—	—
118	80	Oakwood Grp	90		‡5.0	1.3	‡	12.5
250	188	Office & Elect	189		8.5	2.9	6.5	7.5
183	70	Oldacre 20p	175		‡5.0	♦	4.1	♦

LEISURE—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
117	93	[illegible]	94	+1	d2.63	3.5	3.9	[illegible]
98	71	Marina Dev. 50p	76	.....	R3.15	3.0	3.0	7.3
220	125	Media Tech Int 20p	128		2.8	4.5	3.1	[illegible]
170	130	Medminster 10p	158		6.25	♦	6.0	♦
220	130	Mis World 10p	195	−10	15.2	5.3	3.8	[illegible]
90	62	Nationwide Leisure	68		‡3.75	2.5	7.8	[illegible]
17	8	Nimslo Int 20c	9	+1	—	—	—	—
294	114	Orient Ex Hds $0.125	140		—	—	—	—
41½	23	Owners Abroad 3p	41½	+½	1.5	2.3	5.1	[illegible]
90	46	Photax (Lon.)	73	−2	—	—	—	—
34	23½	Piccadilly Radio NV 5p	28	−1	2.0	♦	10.5	♦
76	25½	Pineapple 10p	70	−2	—	—	—	—
391	280	Pleasurama 5p	309	−6	17.5	3.6	3.4	[illegible]
178	136	Do. 7pcCvCmRedPf	149	−1½	7%	—	6.6	—
157	94	Prestwich	105	+1	0.85	6.9	1.1	[illegible]
43	18	Radio City 'A' NV	36	+2	[illegible]	[illegible]	[illegible]	[illegible]
58	33	Radio Clyde NV	50	−3	3.25	0.9	9.2	[illegible]
403	322	Really Useful Grp 5p	385	−3	11.25	♦	4.1	♦

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

IRISH

"Recent Issues" and "Rights" Page 39 (International Edition Page 33)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 27	Nov 6	Nov 7	Nov 17
Nov 10	Nov 20	Nov 21	Dec 1
Nov 24	Dec 4	Dec 5	Dec 15

*New time dealings may take place from 9.00 am two business days earlier.

US insider trading developments unsettle equities but gilts nudge higher

UK stock markets fell smartly in cautious trading yesterday as traders assessed the implicatons of this weekend's startling developments in takeover trading on both sides of the Atlantic. But losses in the blue chip stocks were reduced towards the close when fears of a massive setback on Wall Street proved *unfounded. Gilt-edged securities* firmed behind a steady performance by the pound, but had a relatively calm session.

The FTSE 100 index, 26 points off while waiting for Wall Street to open, ended a net 15.7 off at 1628.6, while the FT Ordinary index at 1278.5 was 14.7 down.

The session opened with widespread falls in both the major international stocks and also in the takeover favourites. Fears that Wall Street might fall sharply in the wake of the Ivan Boesky's settlement of the allegations by the Securities and Exchange Commission brought sharp falls in Imperial Chemical Industries, Glaxo Holdings and many other US favoured issues.

The move by the UK Government to bring into early operation the insider dealing aspects of the Financial Services Act unsettled many of the market's current speculative issues.

But the blue chip issues rallied *well when Wall Street opened* with a loss of only 12 points, and then recovered ground during London trading hours. Oil stocks, in particular, recouped their initial losses, despite the lack of any firm news from the meeting of the Opec Prices Committee.

The steadier trend in the lead*ers quickly rubbed off onto* the second-line issues. Among speculative stocks to close well above the day's lows were Cons Goldfields, Blue Circle and Pilkington Bros. A dull spot, however, was Unilever, which has been tipped as a possible counter bidder for Gillette, the subject of a $5bn offer from Revlon, the US cosmetic group. Hanson Trust, also named as a possible bidder for Gillette, gave ground in heavy trading.

But Government bonds steadied, after the setback suffered last week. Early firmness in sterling helped long-dated issues edge forward, and to close with net gains of ⅛ or so. The FT Government *securities index edged* up by 0.05 to 81.43.

Morgan Grenfell up

The recent revival in Morgan Grenfell, which was halted temporarily last week by the depar*ture from the company of* Mr Geoffrey Collier, the head of the group's securities operations, resumed yesterday and the price raced ahead to close 19 higher at 432p. Elsewhere in the banking sector, Moorgate Mercantile, up 1½ more at 65p, continued to respond to the excellent interim results and the news that a British and Commonwealth subsidiary *holds a near-25 per cent stake in* the company. Australia and New Zealand Bank lost 9 to 239p in the wake of the annual results.

Food and drinks importer and marketing group S. Daniels staged a highly successful market debut; with only 2m shares placed at 130p and consequently stock in short supply, the price opened at 146p and moved ahead to 153p, a first-day premium of 23.

Breweries succumbed to the general malaise. Whitbread, scheduled to kick off the company results season by announcing interim figures tomorrow—expectations are generally pitched in the £73-£75m range eased a few pence to 269p. Guinness, well supported recently ahead of the imminent introduction of ADRs in the company's shares, eased 9 to 334p. Regional concerns, selectively sought of late amid persistent takeover chatter, were marked sharply lower. Morland, 345p, and Vaux, 432p, shed 25 and 18 respectively, while Buckleys dipped 5 to 152p.

BCI lower

The Building leaders displayed moderate falls following a defensive mark-down and scrappy selling between market makers. Blue Circle, in which Adelaide Steamship recently revealed a stake, were prone to profit-taking and dipped to 628p prior to closing a net 18 down at 634p. Losses of around 5 were seen in Redland, 394p, and BPB Industries, 504p; the latter's interim results are due at the end of the month. Apart from the sharp fall in John Mowlem following its bid for Glasgow Stockholders Trust, losses among the major Construction and Contracting issues were limited to a few pence as the sector attempted a modest rally late in the session. AMEC, however were vulnerable to selling and shed 5½ to 258½, while Barratt Developments closed cheaper at 150p, after 147p. Against the trend, Press comment prompted a fresh surge in Helical Bar which touched a new peak of 490p prior to closing 14 higher on the day at 485p. Derek Crouch rose 11 to 175p in a limited market. Tysons Contractors added 4 to 29p despite revealing poor half-year figures.

Share Drug dull

Leading Retailers, marked lower in line with other equities from the outset, staged a modest recovery to settle only slightly easier on balance by the close. Sentiment was aided by the provisional retail sales figures for October which showed spending maintaining September's buoyant levels. Burton, expected to reveal preliminary results around £145m on Thursday, eased 4 to 266p, after 264p. Interest elsewhere in Stores centred on those reporting trading statements. Share Drug fell 8 to 275p after announcing full-year profits well short of most market expectations. Mail-order concern N. Brown hardened a few pence to 848p, after 860p, on satisfaction with the bumper interim results and proposed 100 per cent scrip issue.

Interest in Electricals centred chiefly on secondary issues. Disappointing interim results left Velex 9 cheaper at 241p, Dataserv responded to news of the bid approach with a gain of 12 at 170p and satisfactory preliminary figures left MMT Computing 10 to the good at 320p. USM quoted Pericom continued to make progress with a further gain of 30 at 185p, while Press mention prompted occasional demand for Checkpoint Europe, 5 better at 195p. Talk of a possible bid from Heron International left Chloride a penny firmer at 54p, after 55p, but selling on an unwilling market caused a reaction of 35 to 408p in Oxford Instruments. Atlantic Computer were favoured and put on 10 to 270p.

With the exception of Vickers, down 8 at 377p, falls in the Engineering leaders were limited to a few pence. Elsewhere, satisfactory preliminary figures prompted firmness in Concentric which rose 6 to 112p.

Foods generally closed a shade above the worst, although renewed profit-taking left Unigate and Northern Foods 6 down at 304p and 267p respectively. Ranks Hovis McDougall lost 3½ to 261½ ahead of tomorrow's annual result.

The liquidation of speculative positions following a cautious Press article depressed Grand Metropolitan which lose 10 to 448p, while the absence of a rumoured bid from J. A. Devenish induced profit-taking in Kennedy Brookes, 14 down at 290p. On a brighter note in the Hotel and Catering sector, Garfunkels attracted revived speculative support and, in a restricted market, moved ahead to close 13 higher at 149p.

Pilkington react

Pilkington Bros., the subject of persistent bid speculation recently, reacted sharply in initial dealings to 534p before staging a [illegible] rally to close only 10 cheaper on balance at 545p. Elsewhere in the miscellaneous industrial sector, Barton Transport responded afresh to the bumper preliminary results and put on 70 more to 455p in a limited market. Diploma, reflecting satisfatory annual figures improved 5 to 183p, while J. Hewitt responded to newsletter comment with a gain of 15 at 200p. Expansion hopes left Thomson T Line 15 to the good at 378p. Dealings resumed in Gestetner at 191p compared with the suspension price of 140p following the announcement that AFP Investment Corporation is making a major investment in the company and will assume management responsibility. Metal Box hardened 4 to 177p awaiting today's interim statement, while Press mention left Stainless Metalcraft 7 better at 210p. Burns Anderson, reflecting hopes of a counter-bid, improved a couple of pence to 111p. Metal Closures came to life with a rise of 8 to 161p, but profit-taking clipped 6½ from recently firm London International. Most leading issues ended above the worst. Hanson were actively traded and closed 5½ lower at 200½p, after a volume of 17m shares.

Among Leisure issues, Boosey and Hawkes rose 20 to 195p on the announcement that Allen & Co Inc had increased its stake in the company to 17.43 per cent via the purchase of 684,000 ordinary shares at 190p per share; Allen intends to support controlling shareholders Carl Fischer Inc and the management of Boosey in their efforts to return the company to profits.

Lucas Industries which proposes to issue $50m of Convertible bonds through an international syndicate established a new low for the year of 440p before closing unaltered at 443p.

Datafin's increased bid of 315p per share cash took McCorquodale up 5 to 311p; the Norton Opax rival offer closes on Friday. John Waddington were quoted ex rights at 195p with the new nil paid shares at 21p premium. Elsewhere, St Ives remained at 865p despite the good annual results and proposed one-for-one scrip issue, but TMD Advertising picked up 2 to 128p after the first-half figures and confident statement on outlook.

Leading Properties drifted easier on lack of interest before picking up late in the session to close virtually unchanged. Elsewhere, Property and Reversionary gained 7 to 267p following Press comment highlighting takeover possibilities, while estate agents Connells firmed the same amount to 275p after publicity given to a broker's circular.

Few Textiles escaped the downturn and Courtaulds slipped back to 308p before ending only 2 off on balance at 311p. John Crowther gave up 3 at 160p but weekend Press mention helped Readicut harden to 46p.

Bats, after moving lower with other blue chips, rallied to close 5 down at 480p, after 455p.

Glasgow Stockholders moved up 5 to 185p on the offer from John Mowlem, which dropped 20 to 358p. Scottish Cities "A" extended their advance initially but late in the session reacted to end a net 5 lower at 520p, after 528p; the interim results are due today. Financial Trusts presented a mixed appearance with Mercantile House rising 10 to 300p and International City gaining 5 to 183p, the latter still a broker's favourable circular. MAI improved 6 to 434p after news that arrangements had been completed for the sale of a substantial portion of LCA's poster business providing MAI's offer for LCA becomes unconditional. In contrast, M & G fell 6 and settled only slightly higher than the Kleinwort Benson offer-for-sale level of 28m shares at 270p per share. Further profit-taking lowered NMC Investments 8 to 183p, while Transcontinental Services fell 12 to 214.

Petranol, actively traded and sharply higher on Friday on strong rumours of an imminent bid of around 70p per share, jumped to 60p prior to closing a et 4 up at 58p on the announcement that talks are in progress which may lead to an offer for the company. Inoco, which holds a stake in Petranol, firmed 5 to 46p. Berkeley Exploration gained 3 more to 66p on hopes that Clyde Petroleum will top Ranger Oil's latest bid, but recently-firm Sapphir Petroleum encountered profit-taking and shed 5 to 20p. The Oil majors gave a resilient performance pending the outcome of the Opec meeting.

Golds under pressure

The sharp decline in the bullion price resulted in widespread and often substantial losses among mining markets. Gold was marked lower from the outset in the wake of the metal's poor performance in the US late on Friday, and soon dipped below the psychologically-important $400 level as selling in US Futures triggered stop-loss offerings from the Continent, notably Switzerland. Bullion dipped to $399.125 before finally settling at $399.125 an ounce—a fall of $17.375 on the session and the lowest since August 29 this year. The shake-out in Platinum, some $43 down at $469.5 at the afternoon fixing, was also mentioned as a contributory factor.

Losses among South African Golds, while still sizeable, were sometimes reduced as the Rand's reaction against the dollar stimulated occasional "cheap" interest from the Cape. Dealers reported little demand from other international centres, however, and the FT Gold Mines index slumped 22.7 to 302.4—thereby eradicating the sector's gain over the previous week.

Financials mirrored Golds with "Amgold" 4 points down at [illegible] and De Beers "Deferred" 32 off at 514p. London-domiciled counters were also depressed by the poor showing by domestic equities. RTZ, 685p, and Greenwich Resources, 150p, fell 7 and 8 respectively, while Consolidated Gold Fields, the subject of considerable takeover excitement in recent weeks, ran back 21 to 674p.

Traded Options

The shake-out in London equities failed to deter enthusiasm for Traded Options. Total contracts transacted amounted to 32,429. As in recent sessions, however, the lion's share of activity was directed towards positions in Hanson Trust which attracted 11,984 calls; the December 200's accounting for 3,608 trades alone, and 1,122 puts. A lively and evenly-balanced business developed in the FT-SE 100 index with 1,435 calls and 1,385 puts struck.

Traditional Options

- First dealings Nov 17 Dec 1 Dec 15
- Last dealings Nov 28 Dec 12 Jan 2
- Last declaration Feb 19 Mar 5 Mar 19
- For Settlement Mar 2 Mar 16 Mar 30

For rate indications see end of Unit Trust Service

Money was given for the call of Sound Diffusion, Polly Peck, [illegible], Hughes Food, Equity and General, Central Securities, Readicut, Racal, William Boulton, Centrovincial, St Modwen, Johnson and Firth Brown, Charles Baynes, F. H. Lloyd, Audiotronic, Bio-Isolates, Wiggins, Mersey Computer, AMS Industries, Tilbury, [illegible] Securities, Aberdeen Steak Houses, Chloride and [illegible] Properties. A put was taken out in Amstrad, while doubles were transacted in F. J. C. Lilley and Sound Diffusion.

FINANCIAL TIMES STOCK INDICES

	Nov. 17	Nov. 14	Nov. 13	Nov. 12	Nov. 11	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	81.43	81.38	81.04	81.70	82.15	83.10	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.55	88.54	88.46	88.85	88.93	86.68	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,278.5	1,293.2	1,295.7	1,305.1	1,311.7	1,083.2	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	302.4	325.1	328.5	316.6	309.1	280.4	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.41	4.39	4.39	4.37	4.35	4.43				
Earnings Yld.% (full)	10.21	10.19	10.18	10.09	10.05	10.98				
P/E Ratio (net) (*)	11.98	12.00	12.02	12.13	12.17	11.23				
SEAQ Bargains (5pm)	26,451	25,788	27,780	32,691	30,909	—				
Equity Turnover (£m)	—	1050.52	1177.48	1184.32	900.78	427.29				
Equity Bargains	—	41,152	45,236	54,958	46,244	26,674				
Shares Traded (ml)	—	520.8	479.0	456.4	418.4	216.0				

S.E. ACTIVITY

Indices	Nov. 14	Nov. 13
Gilt Edged Bargains	152.2	161.7
Equity Bargains	266.6	293.1
Equity Value	2123.4	2380.0
5-Day Average		
Gilt Edged Bargains	151.2	157.7
Equity Bargains	305.2	315.4
Equity Value	2162.0	2175.1

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
—	1281.9	1280.6	1276.1	1274.4	1269.8	1270.2	1275.1

Day's High 1293.2. Day's Low 1268.1.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.49. †Corrected.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (82)

British Funds (2) Exch. 2½pc 1987, Treas 2pc IL 88. Americans (2) Dana Corp., Union Carbide. Banks (2) English Trusts, Moorgate Mercantile. Brewers (3) Eldridge Pope A, Fuller Smith, Merrydown. Builders (4) Aberdeen Const., Helical Bar, Howards Shottering, Rowlinson. Chemicals (2) Coats Bros., Do. A. Stores (4) Brown (N.), Chelsea Man, Debfor, Sterling Group. Electricals (4) Chloride 7½pc Pf, MMT Computing, Pericom, Synoose Computer. Engineering (2) Bristol Chan. Ship, SKF AB. Hotels (1) Pres.Entertainments. Industrials (19) Alexander Workwear, Bodycote Intnl., Borg-Warner, Burns-Anderson, Consultants, Flogas, Gestetner, Green (E.) & Partners, Haverlock Europa, J. S. Pathology, Mainmet, Mathesons [illegible], Myson, Scott Greenham, Stockdale, Thomson T-Line, Toye, Miltair Systems, Worcester. Leisure (4) Greenwich Cable, LWT, Owners Abroad, Ulster TV A. Motors (1) Quick (H. & G.). Newspapers (2) Black (A. & C.), News Corp. Paper (3) Horne (R), McCorquodale, St Ives. Property (3) Evans of Leeds, McInery, Trencherwood. Textiles (2) Lamont Hldgs, Muntin Bros. Trusts (12) City & Comm. Cap, Fundinvest Cap, Glasgow Stockholders, Greenfriar, Mid Wynd Inv, New Court, Rights & Issues, River & Mercantile, Scottish Cities A, Strata Invs, Throgmorton Warrant's, Parrish (J. T.). Oils (4) Chevron, Enterprise Oil, Intl Petroleum, Ranger Oil, Overseas Traders (3) Paterson Zoch, Do N/V, Steel Bros. Plantations (1) Moran. Mines (2) Pelsart Res, Emex Intl.

NEW LOWS (21)

British Funds (1) Exch 13¼pc 1987. Chemicals (1) Morceau. Stores (2) Stormgard, Tip Top. Electricals (3) Fletcher Dennys, Northamber, Stone Intl. Foods (1) Cullen's Industrials (4) Brown & Tawse, Dyson (J.) & J.) A, High-Point Services, Office & Elect. Insurance (1) Alexander & Alexander. Motors (1) Lucas Inds. Paper (4) Ault & Wiborg, Baker (Charles), Broad Street, Fitch. Property (2) Slough Ests 12⅛pc 2009, Do. 11¼pc 2019. Mines (1) Kia-Ora Gold.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	[illegible]	[illegible]	[illegible]	ICI	[illegible]	[illegible]	[illegible]
Allied Lyons	[illegible]	[illegible]	[illegible]	Jaguar	[illegible]	[illegible]	[illegible]
BAT	[illegible]	[illegible]	[illegible]	Ladbroke	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]	Land Securities	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]	Legal & Gen.	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]	Lloyds Bank	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]	Lucas	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]	Marks & Spencer	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]	Midland Bank	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]	Nat West Bank	[illegible]	[illegible]	[illegible]
Brit. Aero	[illegible]	[illegible]	[illegible]	P & O	[illegible]	[illegible]	[illegible]
Britoil	[illegible]	[illegible]	[illegible]	Plessey	[illegible]	[illegible]	[illegible]
BP	[illegible]	[illegible]	[illegible]	Prudential	[illegible]	[illegible]	[illegible]
Brit. Telecom	[illegible]	[illegible]	[illegible]	Racal	[illegible]	[illegible]	[illegible]
Burton	[illegible]	[illegible]	[illegible]	Reckitt & Col.	[illegible]	[illegible]	[illegible]
Cable & Wire	[illegible]	[illegible]	[illegible]	Reuters	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	[illegible]	[illegible]	RTZ	[illegible]	[illegible]	[illegible]
Comm. Union	[illegible]	[illegible]	[illegible]	Royal Insurance	[illegible]	[illegible]	[illegible]
Cons. Gold	[illegible]	[illegible]	[illegible]	STC	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]	Sainsbury	[illegible]	[illegible]	[illegible]
Dixons Grp.	[illegible]	[illegible]	[illegible]	Sears	[illegible]	[illegible]	[illegible]
Fisons	[illegible]	[illegible]	[illegible]	Sedgwick	[illegible]	[illegible]	[illegible]
Gen. Accident	[illegible]	[illegible]	[illegible]	Shell Trans.	[illegible]	[illegible]	[illegible]
Gen. Elec.	[illegible]	[illegible]	[illegible]	Sun Alliance	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]	TSB	[illegible]	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]	[illegible]	Tesco	[illegible]	[illegible]	[illegible]
Gus "A"	[illegible]	[illegible]	[illegible]	Thorn EMI	[illegible]	[illegible]	[illegible]
Guardian R.E.	[illegible]	[illegible]	[illegible]	Trafalgar Hse.	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]	Trusthouse Forte	[illegible]	[illegible]	[illegible]
Guinness	[illegible]	[illegible]	[illegible]	Unilever	[illegible]	[illegible]	[illegible]
Hanson Trust	[illegible]	[illegible]	[illegible]	Utd Biscuits	[illegible]	[illegible]	[illegible]
Hawker Sidd.	[illegible]	[illegible]	[illegible]				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Corporations, Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial & Properties	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday November 17 1986: Index No.	Day's Change %	Est. Earning Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri Nov 14 Index No.	Thurs Nov 13 Index No.	Wed Nov 12 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (210)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (186)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Publishing & Printing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (87)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (118)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (98)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (731)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Year ago
FT-SE 100 SHARE INDEX ‡	1628.6	-15.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Mon Nov 17	Day's change %	Fri Nov 14	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	118.42	+0.06	118.35	—	10.31
2 5-15 years	128.22	+0.08	128.12	—	11.61
3 Over 15 years	133.20	+0.05	133.14	—	11.83
4 Irredeemables	144.35	-0.12	144.50	—	[illegible]
5 All stocks	126.94	+0.07	126.85	—	11.33
Index-Linked					
6 5 years	114.93	+0.60	114.24	—	2.00
7 Over 5 years	[illegible]	[illegible]	[illegible]	—	2.84
8 All stocks	[illegible]	[illegible]	[illegible]	—	2.69
9 Debentures & Loans	118.22	+0.08	118.13	—	10.25
10 Preference	79.48	+0.06	79.43	—	6.07

AVERAGE GROSS REDEMPTION YIELDS		Mon Nov 17	Fri Nov 14	Year ago (approx.)
British Government				
1 Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2	15 years	[illegible]	[illegible]	[illegible]
3	25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High Coupons	5 years	[illegible]	[illegible]	[illegible]
8	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		[illegible]	[illegible]	[illegible]
Index-Linked				
11 Inflat'n rate 5%	5 yrs.	[illegible]	[illegible]	[illegible]
12 Inflat'n rate 5%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
13 Inflat'n rate 10%	5 yrs.	[illegible]	[illegible]	[illegible]
14 Inflat'n rate 10%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
15 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16	15 years	[illegible]	[illegible]	[illegible]
17	25 years	[illegible]	[illegible]	[illegible]
18 Preference		[illegible]	[illegible]	[illegible]

‡Opening index 1632.9; 10 am 1631.3; 11 am 1629.3; Noon 1623.7; 1 pm 1622.9; 2 pm 1617.7; 3 pm 1618.7; 3.30 pm 1623.3; 4 pm 1625.1

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		CALLS Jan.	CALLS Apr.	CALLS July	PUTS Jan.	PUTS Apr.	PUTS July
Allied Lyons (*312)	280	40	48	55	3	6	11
	300	25	35	43	8	15	22
	330	9	20	25	28	33	37
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Nov.	CALLS Feb.	CALLS May	PUTS Nov.	PUTS Feb.	PUTS May
Midland Bk (*568)	500	70	90	102	1	3	12
	550	20	47	37	2	18	25
	600	2	17	27	35	42	47

Further series (B.P., Cons. Gold, Courtaulds, Com. Union, Cable & Wire, G.E.C., Grand Met., I.C.I., Land Securities, Marks & Spen., Shell Trans., Trafalgar House, TSB, Barclays, BAT Inds, Brit. Aero, Brit. Telecom, Cadbury Schweppes, Guinness, Imperial Gr., Ladbroke, LASMO, P. & O., Racal, R.T.Z., Vaal Reefs, Tr. 11¾% 1991, Tr. 11¾% 03/07, Beecham, Boots, BTR, Bass, Blue Circle, De Beers, Dixons, GKN, Glaxo, Hanson, Jaguar, Tesco, Thorn EMI, FT-SE Index): [illegible]

November 17. Total Contracts 32,749. Calls 24,087. Puts 8,662. FT-SE Index. Calls 1,435. Puts 1,385. *Underlying security price.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 86 Vol.	Nov. 86 Last	Feb. 87 Vol.	Feb. 87 Last	May 87 Vol.	May 87 Last	Stock
GOLD C / GOLD P / SILV C / SFL C / SFL P / ABN / AEGON / AHOLD / AKZO / AMRO / GIST / HEIN / HOOG / KLM / NATN / NEDL / PHIL / RDSH / UNIL series	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: [illegible]

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Bank	%
[illegible]	11

* Members of the Accepting Houses Committee. * 7-day deposits [illegible]. Top Tier—£2,500+ at 3 months' notice [illegible]. At call when £10,000+ remains deposited. † Call deposits £1,000 and over [illegible]. ‡ Mortgage base rate. § Demand deposits [illegible]. Mortgage 12¼%.

WORLD STOCK MARKETS

AUSTRIA

Nov. 17	Price Sch	+ or −
Credit'nst'lt pp	2,250	—
Goesser	3,250	—
Interunfall	13,100	−200
Jungbunzlauer	15,100	+900
Laenderbank	2,230	+10
Perimooser	633	+8
Steyr Daimler	158	—
Veitscher Mag	11,060	—

BELGIUM/LUXEMBOURG

Nov. 17	Price Frs.	+ or −
B.B.L.	5,150	−45
Banq. Gen. Lux.	16,300	—
Banq. Int. A.Lux.	15,000	−100
Bekaert	11,250	+50
Ciment CBR	3,810	—
Cockerill	147	−7
Delhaize	2,900	—
EBES	4,750	—
Electrobel	14,925	—
Fabrique Nat	2,000	+10
GB Inno BM	8,500	−60
GBL (Brux)	3,980	−70
Generale Bank	5,950	−60
Gevaert	6,060	+10
Hoboken	7,500	−260
Intercom	5,760	−20
Kredietbank	4,190	−110
Pan Hldgs.	10,750	—
Petrofina	9,400	−80
Royale Belge	29,435	−10
Soc. Gen. Belge	3,200	−50
Sofina	12,050	+75
Solvay	6,330	+50
Stanwick Intl	250	—
Tractionel	6,350	−30
UCB	9,000	−30
Wagons Lits	5,500	—

DENMARK

Nov. 17	Price Knr %	+ or −
Baltica Skand.	510	−6
Cop Handels'nk.	244	−3
D. Sukkerfab.	353	—
Danske Bank	285	—
East Asiatic	170	−1
Forenede Brygg.	985	—
GNT Hld	394	—
I.S.S.B.	700	−6
Jyske Bank	465	—
Novo Inds*	225	−11
Privatbanken	257	—
Superfos	135	+11

FINLAND

Nov. 17	Price Mks	+ or −
Amer	180	—
KOP	46.4	+0.2
Kone	190	−6
Finnish Sugar	86	−2
Nokia	142.5	−0.5
Pohjola "B"	63.85	−0.26
Rauma-Repola	20	+0.8
Stockmann "B"	145	—
UBF "C"	26.25	—
Wartsila (S11)	156	+1.5

NETHERLANDS

Nov. 17	Price Fls	+ or −
ACF Holding	64.5	−0.5
AEGON	92	−1
Ahold	105	−0.5
AKZO	156.5	—
ABN	544	−7
AMEV	73.2	−0.4
AMRO	94.4	−1.2
Bredero Cert.	96	−4
Bos Kalis Westm	9.1	−0.2
Buehrmann Tet.	224	+0.5
Calland Holdings	19.5	—
Dordtsche Pet'm	196	—
Elsevier-NDU	234	−2.5
Fokker	63.5	−0.5
Gist Brocades	46.7	−0.4
Heineken	170.2	−0.8
Hoogovens	48.8	−1
Huntr Doug NN	61	−1
Int. Mueller	82.5	−0.5
KLM	45.2	−0.2
KNP	154	−1.5
Naarden	90	—
Nat Ned Cert	77.4	—
Ned Mid Bank	207	−3
Nedlloyd	180	−2
Oce Grinten	456	−3
Ommeren (Van)	36.7	+1.1
Pakhoed	72	−2
Philips	43.5	−0.1
Robeco	91.5	−0.6
Rodamco	135.8	—
Rolinco	82.5	−0.5
Rorento	49.5	—
Royal Dutch	207.5	+0.2
Unilever	493.5	−5.0
VMF Stork	26.1	−0.5
VNU	320.5	−2.5
Wessanen	81.5	−0.2
West Utr Bank	60	—

GERMANY

Nov. 17	Price Dm.	+ or −
AEG	300	−3
Allianz Vers	2,207	−23
BASF	254.9	−2.1
Bayer	294.7	−3.8
Bayer-Hypo	552.5	+3
Bayer-Verein	517	+10
BHF-Bank	522	+6
BMW	564	−5
Brown Boveri	293.5	+0.5
Commerzbank	300.7	−3.5
Cont'l Gummi	330.5	−2
Daimler-Benz	1,256	−6
Degussa	471	+1
D'sche Babcock	210	−4
Deutsche Bank	787	−3.5
Dresdner Bank	389	−5.5
Feld-Muehle Nbl	280	−1
Henkel	465	+5
Hochtief	1,120	−30
Hoechst	253.7	−4.3
Hoesch werke	120.6	−1.2
Holzmann (P)	520	−15
Horten	250.2	−1.8
Hussel	516	+3
Karstadt	450	−8.5
Kaufhof	526.5	−6
KHD	185.5	—
Kloeckner	59.5	−0.8
Linde	786	−3
Lufthansa	170	−1
MAN	226	−4.5
Mannesmann	190	−3.6
Mercedes Hld.	1,138	−10
Metallgesell	318.5	+1.5
Muench Rueck	2,270	−50
Nixdorf	707.5	−2.5
Porsche	999	+6
Preussag	195	−1
Rhein West Elect	235	−2
Rosenthal	405	−1
Schering	525	−1
Siemens	666.1	−7.9
Thyssen	132.7	−1.3
Varta	358.5	−1.5
Veba	272	−1.6
V.E.W.	154.5	−0.4
Verein-West	476	—
Volkswagen	424.5	−7

ITALY

Nov. 17	Price Lira	+ or −
Banco Com'le	24,000	−520
Bastogi-IRBS	700	−1
Centrale	3,370	—
C.I.R.	7,381	−199
Credito Italiano	5,240	−60
Fiat	14,600	−350
General Assicur.	132,500	−2800
Italcementi	74,300	−500
La Rinascente	975	−27
Montedison	2,910	−390
Olivetti	13,950	−300
Pirelli Co.	7,151	−39
Pirelli Spa	6,070	−60
Saipem	4,700	−85
Snia BPD	4,875	−70
Toro Assic.	31,510	−1500

FRANCE

Nov. 17	Price Frs.	+ or −
Emprunt 4½% 1975	1,690	−41
Emprunt 7% 1973	8,698	−308
Accor	462	−8
Air Liquide	669	—
BIC	525	+5
Bongrain	2,517	+57
Bouygues	1,282	+12
BSN Gervais	4,300	+50
CIT Alcatel	2,181	+1
Carrefour	3,500	+50
Club Mediter'n	640	+17
Cie Bancaire	1,075	+13
Cofimeg	408	—
Damart	2,865	+35
Darty	4,125	+54
Dumez S.A.	1,815	−25
Eaux (Cie Gen)	1,210	+22
Elf Aquitaine	311.5	−2
Essilor	3,380	−10
Gen.Occidentale	870	−5
Imetal	67.95	+1.45
Lafarge Coppee	1,515	+10
L'Oreal	3,790	−10
Legrand	4,790	+20
Maisons Phoenix	195	+5.2
Matra S.A.	2,150	+6
Michelin B	2,295	+8
Midi (Cie)	1,582	+18
Moet.Hennessy	2,390	+22
Moulinex	68.7	−0.2
Nord Est	161.5	+1.4
Pernod Ricard	1,010	+9
Perrier	805	+9
Petroles Fra.	430.6	+0.6
Peugeot S.A.	1,090	+15
Printemps (Au.)	508	−6
Radio tech.	840	+32
Redoute	2,870	+20
Roussel-Uclaf	1,435	+5
Sefimeg	483	+2
Skis Rossignol	1,180	—
Telemec Elect	2,935	+55
Thomson (CSF)	1,530	−7
Valeo	508	—

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Prices at 2.30pm November 17

[illegible]

F—No voting rights or restricted voting rights.

Indices

NEW YORK—DOW JONES

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

TORONTO

TORONTO	Nov 17	Nov 14	Nov 13	Nov 12	1986 High	1986 Low
Metals & Minls	2,113.8*	2,127.23	2,12.87	2,145.2	2,442.86 (21/3)	1,817.4 (5/8)
Composite	3,065.1*	3,078.9	3,082.8	3,088.76	3,129.11 (18/4)	2,754.9 (17/2)
MONTREAL Portfolio	1,543.78*	1,546.4	1,553.2	1,558.86	1,623.33 (18/4)	1,388.5 (22/1)

* Indicates pre-close figure

[illegible]

** Saturday November 15: Japan Nikkei (c), TSE (c).

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 43

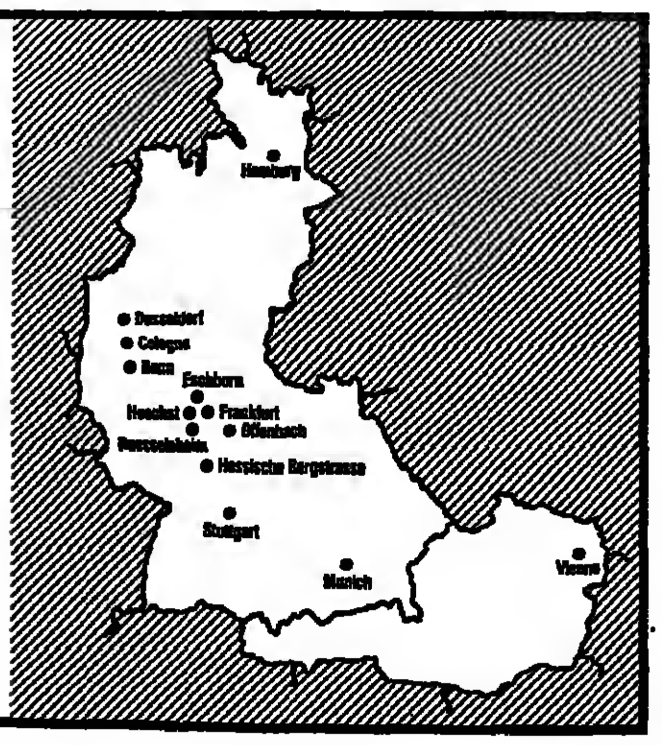
[illegible]

LONDON

Chief price changes (in pence unless otherwise indicated)

FALLS		
Barker (C.)	86	−5
Blue Circle	634	−16
CRA	302	−14
Central Nesman	613	−40
Cons Gold	673	−21
De Beers Defd.	514	−32
Grand Met	448	−10
Kennedy B	290	−14
NMC Invs.	183	−8
M. & G.	272	−6
Mowlem (J.)	357	−21
P & O Defd	509	−9
Pilkington	545	−10
Vaal Reefs	£54	−4½
Volex	241	−9
Waddington (J)	195	−9

RISES		
Barton T	455	+70
Boosey & H.	195	+20
Dataserv	170	+12
Garfunkels	149	+13
Glasgow St.	165	+5
Helical Bar	465	+14
Hewitt (J.)	200	+15
Intl. City	193	+5
McCorquodale	311	+5
Mercantile H.	300	+10
Morgan G.	432	+19
Petranol	58	+4
Thomson T-L	378	+15



Prices at 3pm, November 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28 1/2	15	AAR s	.44	1.6	17	209	23 1/4	22 3/4	23	− 1/8
30	21 3/4	ADT	.92	3.4		83	26 3/4	26 5/8	26 3/4	+ 1/4
33	14 1/2	AFG s	.12	.4	15	427	29 7/8	29 1/2	29 7/8	+ 3/8
25 5/8	16 3/4	AGS			16	57	24 1/8	23 7/8	24 1/8	
15	7 3/4	AMCA				21	8 5/8	8 1/4	8 5/8	
62 1/8	38 3/4	AMR			13	1658	56 1/8	55 3/4	55 7/8	− 1/4
27 1/2	23 1/4	ANR pf	2.67	10.		200	25 3/4	25 1/2	25 3/4	+ 1/4
19 1/4	10	ARX	.71t	6.5	10	76	11 1/8	10 3/4	11	− 1/8
41 1/2	28 3/4	ASA	2a	5.7		986	35 5/8	35 1/8	35 1/4	− 1/2
18 5/8	9 3/4	AVX		2.7		60	12 1/8	11 1/8	11 7/8	− 1/4
32	25 1/2	AZP	2.72	9.4	6	812	29	28 3/4	29	
55	30 1/4	AbtLb n	.64	1.6	20	5116	45 3/4	45 1/8	45 5/8	− 1/4
32	22 5/8	AccoWd	.58	2.1	17	524	27 1/8	27	27 1/8	+ 1/8
14 7/8	9	AcmeC	.40	3.9		14	10 3/8	10 1/4	10 3/8	+ 1/4
9 1/4	6 1/4	AcmeE	.32b	4.8	17	36	6 5/8	6 5/8	6 5/8	
23 7/8	17 1/2	AdaEx	4.45e	22.		212	20 3/4	20 1/4	20 3/8	− 1/2
33 5/8	19	AdmMl	.48	1.8	13	24	27 1/2	27 1/8	27 1/8	− 3/8
20 5/8	12 1/8	AdvSys	t.45t	9.8	13	64	15 1/4	14 5/8	14 3/4	− 3/4
32 7/8	12 7/8	AMD				1109	15 7/8	15 1/2	15 7/8	+ 1/4
12 5/8	6 3/4	Adobe				51	6 3/4	6 1/8	6 1/8	− 3/8
18 5/8	13 3/4	Adob pf	1.84	11.		60	16 3/4	15 3/4	16 1/4	+ 3/8
20 1/4	16 5/8	Adob pf	2.40	14.		32	17 3/4	17 1/2	17 3/4	
16 5/8	9 5/8	Advest	.12a	.9	10	71	13 5/8	13 3/8	13 3/4	+ 1/8
65 1/4	49 7/8	AetnLf	2.64	4.9	8	6723	54 1/2	54	54	− 3/8
58 5/8	51 1/2	AetL pf	4.69e	8.9		4	52 7/8	52 3/4	52 7/8	− 1/8
28 3/4	12 1/8	Ahmns s	.48	2.2	6	2000	20 1/2	19 5/8	20 1/2	+ 3/8
6 3/4	2 5/8	Aileen			45	58	3 1/4	3 1/8	3 1/8	− 1/2
41 5/8	28 3/4	AirPrd s	.80	2.2	47	736	36 5/8	35 5/8	35 3/4	− 1/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from Page 42

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X - Y - Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
58¼	54	Xerox pf5.45	9.3			1128	57⅜	57	57¼	−⅛
28¾	20¾	XTRA .64	2.7			89	23½	23	23½	+⅛
18¾	13½	Yorkin s				76	17⅜	17	17⅛	−⅜
45¾	28½	ZaleCp 1.40	3.2			198	43½	43	43¼	−½
37¼	22½	Zale pfA .50	2.2			3	37	37	37	−¼
9½	2¼	Zapata .03j				146	2½	2⅜	2½	
43⅞	20¾	Zayre s .32	1.2	19		3250	26¾	25¾	26⅝	−⅜
17	9¾	Zemex .40	3.5	10		47	11¾	11⅝	11½	
29⅞	17⅞	ZenithE				307	20¾	20½	20⅝	+¼
13¼	6	ZenLb s		34		850	10⅜	10	10¼	−⅛
22⅝	12⅝	Zero s .22	2.0	16		116	14½	14¼	14½	
45¾	32¾	Zurnin 1.32	3.4	15		186	38⅞	38¼	38¾	+⅜
10⅝	9½	Zweig n				317	9⅞	9¾	9⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, November 17

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Fears over insider case recede

TAKING the Boesky affair in their stride, Wall Street stock markets recovered from initial moderate losses to show marginal price gains by early afternoon on relatively active trading, *writes Roderick Oram in New York.*

Help came from the credit markets where bond prices drifted higher in quiet trading taking yields below levels set at the quarterly Treasury auctions earlier this month.

Given the weekend to digest the news that Mr Ivan Boesky, a leading Wall Street investor, was to pay a $100m penalty for insider trading, stock markets showed only small losses after the opening.

The Dow Jones industrial average fell 15 before climbing back slowly through the rest of the mornin·

At the close the Dow Jones industrial average was down 0.70 at 1,860.52.

The main impact of the news came in stocks which had risen sharply on news of takeovers or speculation that bids were in the offing. Of the 10 most active shares traded by early afternoon nine were tied to takeover news of which all but one fell.

Gillette, for example, fell $⅛ to $67⅞, USX dropped $1 to $2¼, Lockheed lost $2⅞ to $52⅞, E.F. Hutton was off $1⅛ to $42⅞ and Transworld was unchanged at $40⅛.

Among blue chips American Express rose $1⅛ to $57⅞, Du Pont eased $⅞ to $86⅛, General Motors was ahead $⅜ to $70⅞, and McDonald's rose $⅜ to $61⅞ while Philip Morris and Westinghouse were unchanged at $69¼ and $56⅞.

Fox Photo rose $5⅞ to $29⅛ after Eastman Kodak agreed to pay $30 a share for the company, a photo processor and supplier of equipment. Kodak fell $⅜ to $66⅛.

AMF, the parent of American Airlines, slipped $⅛ to $56¼. It announced the purchase of AirCal, a West Coast airline.

Prices of other airline stocks dropped more sharply. TWA slipped $¼ to $21⅞, Delta fell $⅞ to $47⅞, United lost $¼ to $57⅛ and USAir fell $⅛ to $38⅛.

Some strength was shown by computer stocks. IBM was up $1⅛ to $123¼, Digital Equipment rose $1⅞ to $100½ and Burroughs eased ahead $¼ to $79. Hewlett-Packard gained $1⅛ to $43. Its fiscal year results are due out this week, and analysts expect net earnings to rise from last year's $1.91 a share to between $2 and $2.25.

Northrop lost $¼ to $44⅞. It said it was writing off the last $250m of a $1.2bn investment in the Tigershark fighter aircraft programme following the failure to win an air force contract. The investment was written off as costs were incurred.

K mart eased $¼ to $51⅛. It reported an increase in third-quarter profits to 66 cents a share from 60 cents. Among other store groups, Woolworth fell $⅛ to $43⅞ and J. C. Penney fell $¼ to $85¾. Sears Roebuck rose $⅛ to $42⅞. It gave exclusive rights to sell its merchandise on television to QVC Network which rose $3⅛ to $25⅛ on the over-the-counter market.

MCorp, a leading Texas bank holding company which, along with others in the sector, are struggling with heavy energy loan losses, rose $⅛ to $12⅞ after announcing the disposal of some assets.

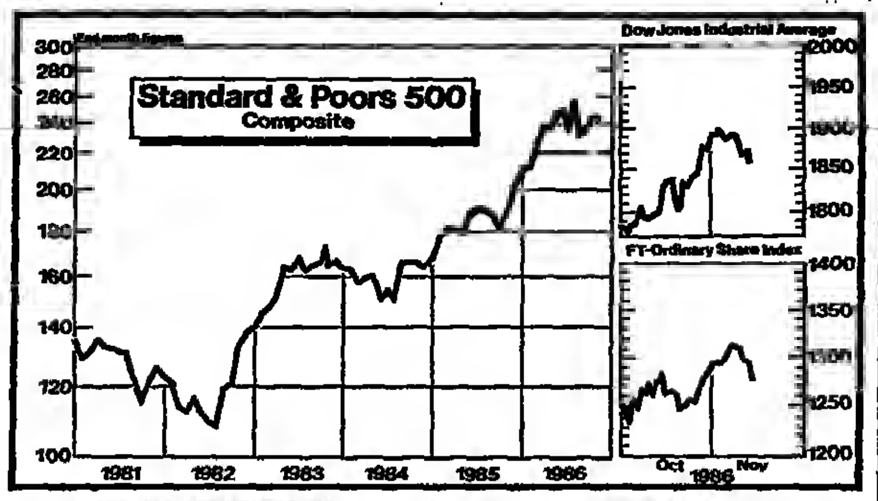
Credit markets were quiet with most trading confined to professionals. Government bond prices were modestly ahead with the 7.50 benchmark Treasury bond due 2016 gaining ⅜ point to 100¾. With the yield of the benchmark bond now down to 7.48 per cent from the average 7.54 per cent at the Treasury auction in early November, dealers have been making good progress in reducing the heavy inventories of new securities.

Three-month and six-month Treasury bills rose three basis points yesterday to 5.39 per cent and 5.48 per cent, respectively. The year bill was unchanged at 5.50 per cent.

The Federal Reserve entered the market to make one-day system repurchases which could total $3bn to $4bn, analysts believed.

The main economic news the market is watching this week is the revised figure for third-quarter gross national product which will be released tomorrow. Some upward revision is expected from the original 2.4 per cent at an annual rate, but the decline in business inventories in September, announced yesterday, indicated that the change could be small.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Nov 17	Previous	Year ago
NEW YORK			
DJ Industrials	1,862.63*	1,862.20	1,435.09
DJ Transport	829.63*	834.25	684.93
DJ Utilities	209.47*	209.87	165.78
S&P Composite	243.42*	243.02	198.11
LONDON			
FT Ord	1,278.5	1,293.2	1,083.2
FT-SE 100	1,628.6	1,644.3	1,409.9
FT-A All-share	809.26	816.06	682.12
FT-A 500	885.49	893.50	744.81
FT Gold mines	302.4	325.1	280.4
FT-A Long gilt	10.63	10.63	10.35
TOKYO			
Nikkei	17,208.15	17,390.5	12,637.4
Tokyo SE	1,418.50	1,430.34	992.85
AUSTRALIA			
All Ord.	1,326.6	1,362.3	1,003.4
Metals & Mins.	650.0	678.5	502.5
AUSTRIA			
Credit Aktien	233.05	231.70	209.23
BELGIUM			
Belgian SE	4,034.39	4,033.80	2,918.91
CANADA			
Toronto			
Metals & Minls	2,113.9*	212.67	1,874.0
Composite	3,055.1*	3,062.0	2,789.4
Montreal			
Portfolio	543.70*	1,537.2	135.34
DENMARK			
SE	189.31	190.38	229.90
FRANCE			
CAC Gen	380.30	378.60	232.8
Ind. Tendance	145.80	144.7	87.1
WEST GERMANY			
FAZ-Aktien	656.81	658.30	574.00
Commerzbank	1,971.90	1,979.20	1,694.0
HONG KONG			
Hang Seng	2,242.89	2,244.03	1,736.07
ITALY			
Banca Comm.	726.25	743.49	409.23
NETHERLANDS			
ANP-CBS Gen	279.30	280.3	233.5
ANP-CBS Ind	278.70	279.8	208.3
NORWAY			
Oslo SE	376.25	378.39	403.00
SINGAPORE			
Straits Times	881.96	885.63	761.46
SOUTH AFRICA			
JSE Golds	—	1,828.0	1,193.8
JSE Industrials	—	1,418.0	950.2
SPAIN			
Madrid SE	171.30	172.80	98.35
SWEDEN			
J & P	2,589.95	2,621.91	1,539.81
SWITZERLAND			
Swiss Bank Ind	569.90	569.1	526.2
WORLD	Nov 13	Previous	Year ago
MS Capital Int'l	341.0	344.1	238.2

COMMODITIES

(London)	Nov 17	Prev
Silver (spot fixing)	395.85p	409.35p
Copper (cash)	£907.00	£888.70
Coffee (Jan)	£1,999.00	£2,075.00
Oil (Brent blend)	$15.25	$15.25

GOLD (per ounce)

	Nov 17	Prev
London	$391.125	$408.50
Zürich	$389.25	$408.50
Paris (fixing)	$395.55	$407.76
Luxembourg	$393.75	$409.35
New York (Dec)	$389.3	$398.8

CURRENCIES

(London)	US DOLLAR Nov 17	US DOLLAR Previous	STERLING Nov 17	STERLING Previous
$	–	–	1.4285	1.4295
DM	2.0130	2.0030	2.875	2.8625
Yen	162.75	161.45	232.5	230.75
FFr	6.5925	6.5625	9.4175	9.38
SFr	1.6740	1.6620	2.3925	2.375
Guilder	2.2740	2.2635	3.2475	3.235
Lira	1,394.5	1,387.50	1,991.75	1,983.50
BFr	41.80	41.85	59.70	59.80
C$	1.3850	1.3840	1.9785	1.9780

INTEREST RATES

Euro-currencies (3-month offered rate)	Nov 17	Prev
£	11⅜	11 7/16
SFr	3 11/16	3⅝
DM	4¾	4⅝
FFr	8⅛	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6 1/16	6 1/16
6-month US$	6 1/16	6 1/16
US Fed Funds	6⅛*	5⅞
US 3-month CDs	5.65*	5.975
US 3-month T-bills	5.395*	5.53

US BONDS

Treasury

		November 17* Price	November 17* Yield	Prev Price	Prev Yield
6⅞	1988	100 5/32	6.303	100 3/32	6.339
7¼	1993	100 1/32	7.06	99 27/32	7.153
7⅜	1996	100 5/32	7.23	99 19/32	7.312
7¼	2016	100 3/32	7.484	99 3/32	7.58

Source: Harris Trust Savings Bank

Treasury index

Maturity (years)	Nov 17* Return index	Day's change	Yield	Day's change
1–30	158.58	+0.19	7.01	+0.01
1–10	151.18	+0.13	6.70	+0.02
1–3	141.52	+0.10	6.31	+0.03
3–5	154.07	+0.12	6.81	+0.02
15–30	185.17	+0.45	8.01	−0.04

Source: Merrill Lynch

Corporate	November 17* Price	November 17* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	92.102	6.35	92.102	6.35
SCBT South Central				
10⅞ Jan 1993	106.875	9.409	106.875	9.409
Phibro-Sal				
8 April 1996	99.625	8.056	98.25	8.269
TRW				
8⅞ March 1996	102.50	8.354	102.50	8.354
Arco				
9⅞ March 2016	107.375	9.145	106.50	9.227
General Motors				
8⅝ April 2016	91.00	8.999	91.00	8.999
Citicorp				
9⅜ March 2016	98.625	9.513	97.25	9.656

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	98–27	98–30	97–28	98–05
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.71	94.72	94.69	94.71
Certificates of Deposit (IMM) $1m points of 100%				
Sep	—	—	—	94.01
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	93.98	93.98	93.96	93.92
20-year Notional Gilt £50,000 32nds of 100%				
Dec	108–08	108–15	108–04	108–04

* *Latest available figures*

TOKYO

Transatlantic events spark sharp fall

REPORTS of the death of North Korean President Kim Il Sung and a forecast that Wall Street would plunge in the wake of the fining of an arbitrageur for insider trading took Tokyo sharply lower yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average opened firmer on small-lot buying but closed 182.35 lower from last Friday at 17,208.15 on thin trading of 278.67m shares, down from 394.32m. Losses outpaced gains 460 to 331, with 173 issues unchanged.

Reports of President Kim's death reached Tokyo in mid-morning. At about the same time news was received of a Wall Street analyst's predictions that massive selling would hit New York following the Securities and Exchange Commission's decision to fine an arbitrageur $100m for insider trading. Investors, unsure of how the news would affect the market, sold in small lots, pushing down prices.

Japan Steel Works topped the actives for the 10th consecutive session with 37.54m shares changing hands. It advanced Y10 to Y430 at one stage but closed Y10 lower at Y410 after profit-taking. The issue has been favoured by speculators for a redevelopment project involving the company's plant site.

The second most active stock was Atsugi Nylon, with only 6.65m shares. Increased demand for hosiery initially lifted it Y24 to Y617, but later selling brought the share down to Y562, off Y11.

Many biotechnologies eased toward the close after opening higher. Takeda Chemical lost Y30 to Y2,160 and Kaken Pharmaceutical plunged Y140 to Y2,120. Only Sankyo and Tanabe Seiyaku finished higher at Y1,340, up Y30, and Y1,500, up Y40, respectively, but the closing prices were each Y40 cheaper than their highs for the day.

Blue chips gained in the morning due to buying by investment trusts but later turned down. Hitachi dipped Y5 to Y955 and Matsushita Electric Industrial Y10 to Y1,740.

Among large-capital stocks, Tokyo Gas again slipped below Y1,000, closing Y40 down at Y970, while Tokyo Electric Power fell Y210 to Y7,520. Ishikawajima-Harima Heavy Industries was off Y11 at Y399.

Bond prices fell slightly with institutional investors refraining from buying, awaiting the announcements of key US economic figures this week, including a revised gross national product figure for the third quarter on Wednesday.

The yield on the bellwether 6.2 per cent government bond maturing in July 1995 ranged from 5.145 to 5.175 per cent, finishing at 5.165 per cent, up from 5.150 per cent on Friday. The reports of the North Korean president's death caused a flurry of selling, but the impact of this soon faded for lack of confirmation.

HONG KONG

PROFIT-TAKING took Hong Kong marginally lower although most investors stood back to await further news on Cheung Kong's rumoured bid for Husky Oil of Canada. The Hang Seng index lost 1.14 to 2,242.89.

Cheung Kong added 75 cents to HK$32. Hutchison Whampoa was unchanged at HK$41.

Among properties SHK added 20 cents to HK$17.10, but Hongkong Land lost 5 cents to HK$6.10.

Utilities were steady to firm, including China Light which added 10 cents to HK$20. China Gas and Hongkong Electric were both unchanged at HK$18.30 and HK$10.10, respectively.

EUROPE

Domestic factors predominate

DOMESTIC FACTORS took most bourses to a mixed or lower close yesterday, and events across the Atlantic played little part in trading.

Frankfurt had a particularly thin session in which the Commerzbank index lost 7.3 to 1,971.9. Few shares attracted demand as investors prepared for Wednesday's national holiday.

Analysts were divided on the effect of the insider trading scandal in New York but at most thought it might have produced caution among investors in case of a fall on Wall Street.

The car sector followed the trend, with VW down DM 7 to DM 424.5, Daimler DM 6 to DM 1,256 and BMW DM 3 to DM 564.

Viag, the partially privatised energy and metals group which said its nine-month results boosted expectations of a higher dividend this year, saw its share price drop DM 1.30 to DM 159.70.

Construction group Hochtief, which warned of a fall in profits this year, lost DM 30 to DM 1,120.

The Bundesbank sold DM 104.7m worth of paper

Amsterdam was also faily lackluster, with few fresh economic factors to lend direction, but sentiment was depressed by the Boesky affair on Wall Street, the lower opening there and unchanged interest rates.

The Opec pricing committee's meeting, which raised the possibility last week of higher oil prices, failed to support the market yesterday and most sectors closed easier.

Royal Dutch managed a 20-cent rise to Fl 207.5, but Unilever dropped Fl 5 to Fl 493.5 and Philips eased 10 cents to Fl 43.30.

Zurich tended mixed to slightly higher as the mood was lifted by hopes of a fall in interest rates and a stable dollar.

Chemical issues were mixed after last week's falls in the wake of the Rhine pollution disaster. Sandoz bearer was unchanged at SFr 10,100, but its participation certificates added SFr 5 to SFr 1,615. Ciba-Geigy bearer lost SFr 45 to SFr 3,375, but Hoffmann-La Roche "baby" shares were steady at SFr 11,400 and its participation certificates were up SFr 2,500 to SFr 114,500.

Stockholm saw sharp losses amid worries that higher interest rates could mean tough measures to cut consumer spending.

Among actives Atlas Copco shed Fl 17 to Fl 191 on news of lower nine-month results.

Fermenta lost Fl 12 to Fl 107 following an announcement by state holding company Procordia that it no longer planned to buy 43 per cent of the group.

Brussels eased as worries resurfaced over the country's political situation and the prospect of renewed language arguments.

Petrofina, the blue-chip oil group, fell BFr 80 to BFr 9,400 while among chemicals UCB lost BFr 30 to BFr 9,000. However, Solvay rose BFr 30 to BFr 8,330.

Milan closed lower under heavy selling pressure. Actives included Fiat, which fell L350 to L15,600, and Montedison, down L390 to L2,910.

The Nigerian Stock Exchange yesterday opened a modern trading floor, and its president, Mr Aliko Mohammed, said it was the largest and most modern in black Africa. He said the exchange, which had 19 securities listed worth about 80m naira ($37m) in 1961, now traded in 187 securities with a market value of over 7bn naira.

Paris went against the trend boosted by improved economic data released last week including lower inflation and forecasts of higher investment.

Constructions benefited from the news on rates, including Bouygues which added FFr 12 to FFr 1,282.

Oslo fell nervously ahead of concern over France's failure to acknowledge Norway's deadline at the weekend for approval of the Troll field gas deal. Madrid was generally lower.

AUSTRALIA

AN ABRUPT drop in the price of gold combined with nervousness about an expected fall on Wall Street to take the Sydney stock market down sharply.

The gold index lost 84.5 to 1,548.2, its biggest ever fall in a single day, taking other mining stocks and industrial issues down with it. The All Ordinaries index dropped 36.2 to 1,326.7, and losing stocks outnumbered advances by 550 to 129.

Golds included Central Norseman, which lost 70 cents to A$13.80, and Kidston, which was down 30 cents to A$7.70, while other mining issues saw CRA off 24 cents to A$6.76.

CANADA

GOLDS traded sharply lower in Toronto, and most other sectors followed the falling trend. The charges of insider trading on Wall Street had only a marginal effect on the market.

Among golds, hit by the week bullion price, Echo Bay traded C$⅛ lower at C$23⅞.

Montreal traded marginally lower in most sectors.

LONDON

Blue-chip losses pared near close

EQUITIES fell smartly in London yesterday as traders cautiously assessed the implications of the insider dealing cases on both sides of the Atlantic.

However, losses in blue chips were pared towards the close of trade as fears of a serious setback on Wall Street proved unwarranted. The FT-SE 100 index ended 15.7 down at 1,628.6 after being 26 points while waiting for Wall Street to open, and the FT Ordinary index finished 14.7 lower at 1,278.5.

The UK Government's decision to bring into early operation those parts of the Financial Services Act which relate to insider dealing had an unsettling effect on current speculative issues. But the late rally took many of them well above the day's lows, including Consolidated Goldfields, off 21p at 673p, Blue Circle, down 16p at 634p, and Pilkington, 10p lower at 545p.

Oil stocks also recouped initial losses despite the absence of firm news from Opec.

Government bonds firmed on early strength in sterling, following their setback last week. In a relatively calm session, long-dated issues closed up about ⅜ point.

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SINGAPORE

A LACK of fresh buying orders, particularly from abroad, took Singapore lower although falls were generally marginal. The Straits Times industrial index closed 3.67 lower at 881.96.

Among actives Kuala Lumpur Industries added 4.5 cents to S$49.50, and Sri Hartamas added 18 cents to S$68.90. The companies, controlled by Malaysian property developer Datuk Wong Kee Tat, have denied rumours that they are in financial difficulties.

Elsewhere, blue chips eased on a mixture of profit-taking and stoploss selling.

SOUTH AFRICA

THE FALL in the bullion price took golds sharply lower in Johannesburg.

Among golds Buffelsfontein fell R8 to R83, Gold Fields R1.50 to R30 and Driefontein R2.25 to R89.

Other minings fell in sympathy, including De Beers which lost R1 to R33 and Rustenburg Platinum which closed R3 lower at R47. Mining financial Anglo American lost R1.50 to R67.50.